ONTARIO ECONOMIC OUTLOOK

• 1992-1996 •

ONTARIO ECONOMIC OUTLOOK

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October 1992

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Chapter 1: Introduction

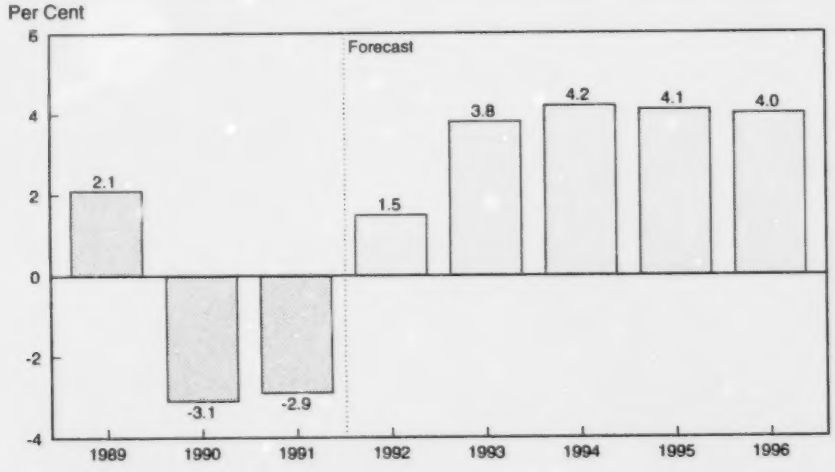
Macroeconomic Environment

The Ontario economy has begun to emerge from its most severe recession since the 1930s. Output has expanded for five consecutive quarters, but at a painfully slow pace. The conditions that normally precede substantial recoveries are in place. Interest rates have fallen, housing has become much more affordable, inventories are low, and corporations and individuals are paying down debt. The export and housing sectors are expanding and consumer spending growth has shown strength in recent months.

While output has been growing slowly for over a year, jobs continue to be lost. The cyclical recession was accompanied by widespread permanent plant closures and relocations, as industries restructured to meet the challenges of accelerating technological change and increasing global competition. This restructuring is continuing. The focus of the Ontario Government's economic policy is to work with business and labour to help ensure that, as the recovery gathers momentum, more well-paying jobs will be created in Ontario and structural change will be fair and equitable.

The Ontario economy is forecast to grow at a moderate average annual 4.0 per cent pace over the 1993-1996 period, stronger than the consensus forecast for any of the G-7 countries but below the pace of recent Ontario recoveries.

Growth in Real Gross Domestic Product, Ontario, 1989 - 1996

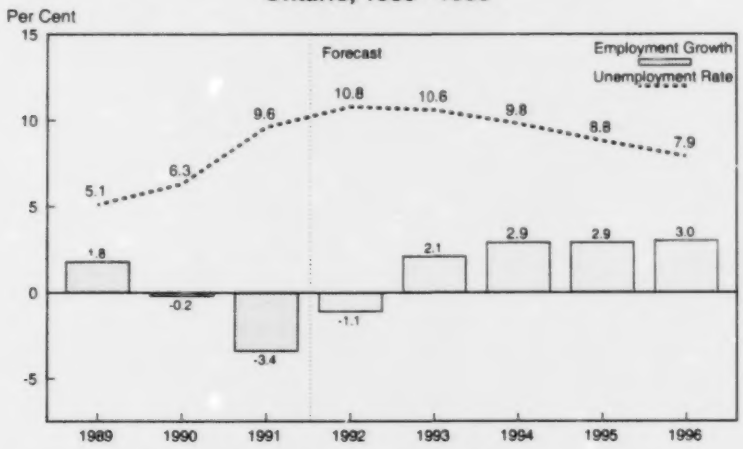


Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Introduction

Over the next four years, the unemployment rate is expected to come down slowly. Both increases in the working-age population and the return to the labour force of workers discouraged from seeking work by the high level of unemployment will slow the decline in the unemployment rate.

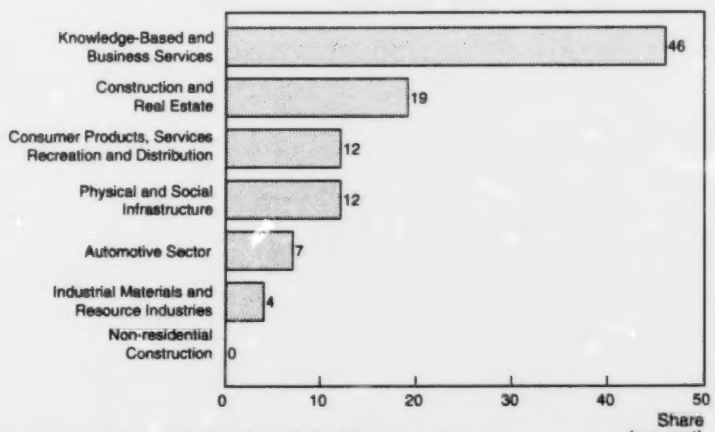
Employment Growth and Unemployment Rates, Ontario, 1989 - 1996



Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Most of the employment growth in Ontario will be in business services and knowledge-based industries, reflecting a continuing shift in the structure of the Ontario economy. This is discussed in more depth in Chapter 2, Jobs and Training Outlook.

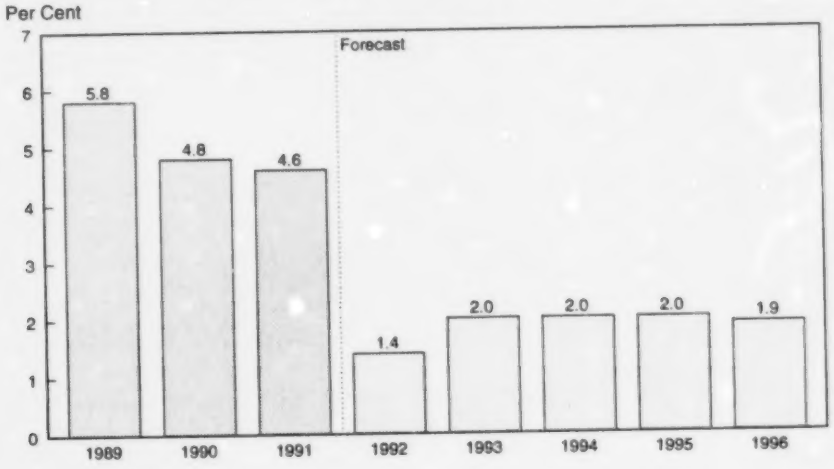
Sectoral* Distribution of Projected Job Growth, Ontario, 1992-96



* see notes to Table 31 of the Data Appendix for definition of sectors
Source: Ontario Ministry of Treasury and Economics

The severity of the recession has driven Consumer Price Index inflation in Ontario to very low levels. Over the medium term, continuing high unemployment and high real interest rates will hold inflation in Ontario to an average of 2.0 per cent per year.

Consumer Price Index Inflation, Ontario, 1989 - 1996



Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Lower inflation, combined with a lower Canadian dollar, better productivity growth and the cuts made in corporate tax rates in the last Ontario Budget, will improve the competitiveness of Ontario firms, encouraging investment and creating new jobs in Ontario.

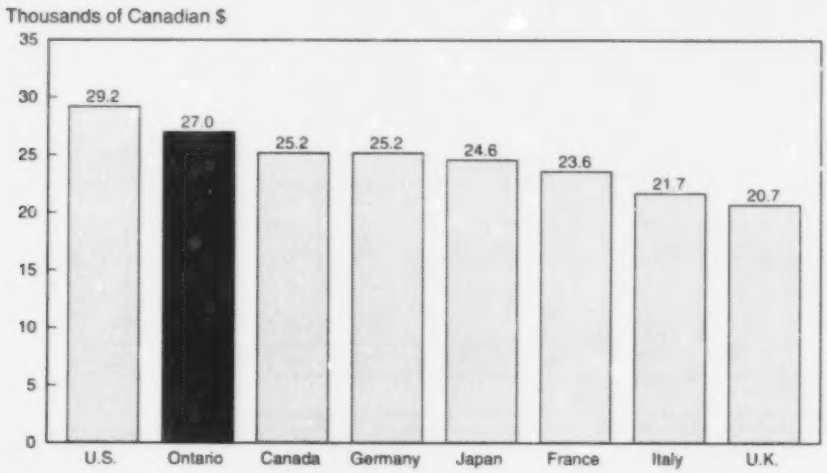
A number of policy variables have a profound impact on Ontario's economic outlook. For example, monetary policy, which sets interest rates and exchange rates, is critical to the health of the economy, as are economic conditions outside of the province. While provincial governments have no control over these, the Ontario Government does have major influence over key policy fields, such as training, innovation and financing.

Introduction

Ontario's Productivity and Jobs Challenge

The Ontario economy is among the most productive in the world. Per capita output is higher than Canada's as a whole, and is exceeded only by that of the United States. High real incomes, combined with good social programs and a clean environment, mean that Ontarians enjoy one of the highest standards of living anywhere.

Gross Domestic Product per Capita*, Ontario and the G-7, 1991



* Based on purchasing power parity (PPP) exchange rates.
Sources: OECD and Ontario Ministry of Treasury and Economics

Ontario has a wealth of assets. We have a skilled and motivated workforce, energetic firms and entrepreneurs, a strategic location in North America, secure public services, access to natural resources, and a modern stock of productive capital -- the result of past investments by both the private and public sectors. These foundations will continue to serve us well.

But the world economy is changing rapidly, and Ontario must change too if it hopes to secure higher living standards for the future. The accelerating pace of innovation and growing global competition make measures to promote innovation and training increasingly important. Achieving higher productivity growth throughout the economy is essential if Ontario is to meet its goal of more and higher paying jobs.

Over the past two decades, productivity growth has been lower in Ontario than in any of the leading industrialized countries, apart from the United States. In the 1980s, Ontario's productivity growth was significantly below the pace achieved during the 1950s and 1960s.

International Comparison of Growth in Total Factor Productivity[1]
(Percentage Changes at Annual Rate)

	1960-73	1973-79	1979-90
United States	1.6	-0.4	0.2
Japan	5.8	1.4	2.0
Germany	2.6	1.8	0.8
France	4.0	1.7	1.8
Italy	4.4	2.1	1.4
United Kingdom	2.3	0.6	1.6
Canada	2.0	0.8	0.0
OECD Average	2.8	0.5	0.8
Ontario	**1.6**	**0.2**	**0.2**

Source: OECD Economic Outlook, June 1992.
Ontario growth calculated by Ministry of Treasury and Economics using data from Statistics Canada.

1. "Total factor productivity" is superior to "labour productivity" as a measure of economic efficiency. It is obtained by subtracting from GDP growth the increase in the quantity of labour and capital inputs, weighted by their estimated contributions to output. The OECD TFP statistics exclude the government sector. The Ontario TFP estimate for the post-1979 period follows this definition; data excluding government are not available for the earlier periods.

This productivity growth slowdown has been costly. The province's capacity to generate new wealth has not kept pace with expectations of an ever-increasing standard of living. In the 1980s, Ontario wages, adjusted for inflation, showed almost no growth, despite the strong economic expansion between 1983 and 1989. Family incomes rose, but mainly because more women entered the labour force, and many employees worked longer hours. Young people, minimum-wage earners and the poor fell behind in absolute terms, experiencing declines in real incomes from the levels enjoyed in the 1970s. The economy's ability to fund new public services has been eroded, and tax rates have had to increase to cover existing programs.

Improving Productivity Growth in Ontario

Changes in the rate of productivity growth are not easily or immediately achieved. However, there are some very promising signs for Ontario. The emergence of new information technologies in the 1980s, and continuing through the early 1990s, offers tremendous potential for productivity gains in advanced industrial economies. Innovations are leading to much more sophisticated machinery and equipment, often providing greater performance for lower costs. The effective use of modern technologies improves the quality and quantity of output from both capital investment and labour. It also creates opportunities for more flexible production. These gains are spread across the economy, with information technologies particularly suited to increasing productivity in business services, government activities and manufacturing sectors.

Productivity growth does not have to come at the cost of jobs. Productivity growth

provides a firm basis for job creation and economic expansion, by generating higher incomes for workers and profits for firms. Canada's post-war experience, and the experience of high productivity growth countries like Japan, demonstrate that positive aggregate demand provides a strong stimulus for further investment and jobs.

Higher productivity growth also improves the competitive position of Ontario's industries. This allows firms to address cost competitiveness through technology, growth and increasing market share, rather than by means of retrenchment and layoffs. Productivity growth is the key to greater employment and rising wages.

Improving productivity requires working together, within firms and across the economy. Governments can adopt policies to increase the quantity and quality of both labour and capital, and to encourage improvements in the way these are brought together in the workplace.

The Industrial Policy Framework

Ontario's Industrial Policy Framework was recently announced by the Minister of Industry, Trade and Technology.* Its goal is to raise value added throughout the economy by the combined efforts of workers, businesses, governments, and communities. The framework focuses on six competitive fundamentals:

- continuous innovation
- raising skill levels
- increasing technological capability
- establishing companies' home base activities in Ontario
- developing linkages and networks
- building international capabilities.

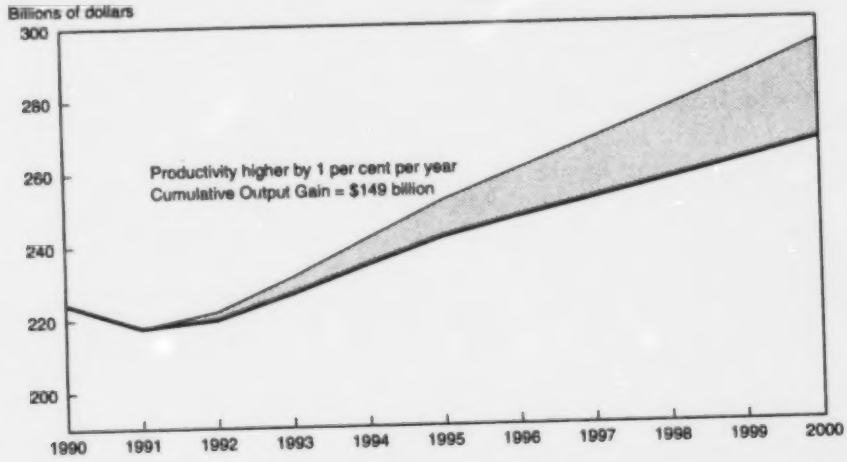
Strengthening Ontario's competitive fundamentals will develop the capabilities companies need to compete in the global economy, encouraging investment, profitability and job creation.

All economic partners have a role to play. For its part, the Government of Ontario is facilitating the movement to a higher value-added economy by changing how it invests, how it works with companies and how it manages economic change.

* *An Industrial Policy Framework for Ontario*, Ministry of Industry, Trade and Technology, 1992.

The emerging recovery offers a unique opportunity to make investments, work together, and improve Ontario's economic outlook. The potential payback is enormous. An additional productivity gain of just one per cent annually between 1992 and the year 2000 would generate an increase of $149 billion in real output, over $14,000 per capita. Based on nominal income shares, labour income would rise by $105 billion, while business profits would increase by over $44 billion.

Potential Impact of Productivity Growth on Real Output
Ontario, 1990 - 2000



Source: Ontario Ministry of Treasury and Economics

Policies Support Innovation and Adjustment

In Ontario, new social assistance reforms and policies that promote social equity are helping to augment the supply of labour. **jobsOntario***TrainingFund* and other initiatives are helping to refocus assistance from passive income support towards training and employment, building an even higher quality workforce than we have today. Tax incentives, financing support and new institutional arrangements, such as the proposed Ontario Investment Fund, will augment the financial capital available to innovative industries.

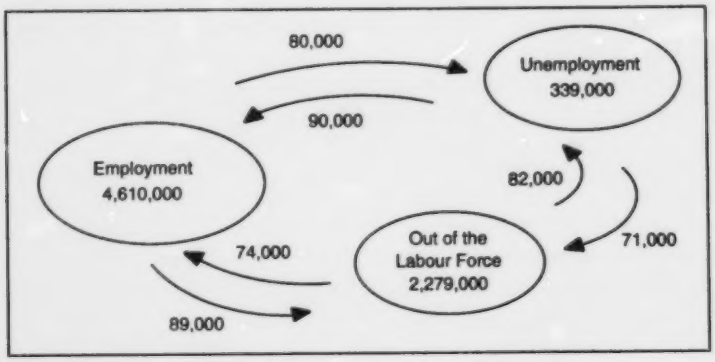
This document examines the economic outlook for Ontario and sets out the policies and programs the Government of Ontario has put in place to deal with the changing economy. Chapter 2 examines challenges and responses in the labour market. Chapter 3 discusses investment. Chapter 4 presents the medium-term macroeconomic and sectoral outlook. The key message is that all economic partners -- labour, business, and government, including the federal government -- will have to work hard, and cooperatively, to improve productivity growth, jobs and secure high levels of employment.

Chapter 2: The Jobs and Training Outlook

Introduction

Employment growth in Ontario will soon resume, and is expected to be reasonably strong over the medium term. However, unemployment is forecast to remain high for several more years as the workforce expands rapidly. The government understands the urgent need for more good jobs, and is acting now to implement active labour market policies to enhance productivity and equity, and to equip all individuals with the tools they need to participate fully in the labour force. In 1991, an average 90,000 people a month moved from unemployment to a job, part of the 480,000 people who change their labour force status in a typical month in Ontario.

Average Monthly Labour Market Flows, Ontario, 1991



Note: Figures within circles represent people who did not change their labour force status
Source: Statistics Canada

Historically, labour market policies and programs have tended to focus on passive measures that provided beneficial income and social relief to unemployed people, but often failed to help them get permanent, secure jobs. Strengthening the flexibility and responsiveness of labour supply is an essential component of Ontario's active labour market policies.

Education and training are important. Pre-employment programs, literacy and language training, and job counselling services are particularly helpful to people experiencing difficulty in finding and keeping jobs. Continued promotion of lifelong learning by all labour market partners will strengthen linkages between schools and workplaces, and will help workers adapt to ongoing changes in the labour market.

jobsOntario*TrainingFund*

A special priority for the government has been support for those at risk of long-term unemployment, whose prolonged absence from the workforce means eroded skills and reduced employability. The $1.1 billion **jobsOntario*TrainingFund*** is a three-year commitment to create training and employment opportunities for an estimated 100,000 workers who are either social assistance recipients or have exhausted their Unemployment Insurance benefits. They will be able to obtain training and employment that will contribute to a more productive economy. Private sector employers will be encouraged to hire and train these workers for new jobs created in their workplaces. The program also includes the provision of an additional 20,000 subsidized child-care spaces in support to those being trained.

A further 80,000 currently employed workers are expected to benefit, as employers may use some of the funds from this program to upgrade existing workers' skills. For example, Linamar Machine Ltd. of Guelph is one of the first major employers to participate in this program, and will be creating 271 jobs for participants over the next two years.

Particular attention has also been given to supporting flexible employment related services through investments in child-care, education and training systems, public transportation, and social housing. These investments help remove barriers to full participation in the labour market of those traditionally under-represented in jobs and training. Pay equity, employment equity, minimum wage increases, labour relations reform, and social assistance reform further improve labour flexibility.

Labour market policies operate in the wider context of economic, industrial, social, equity and education policy. In this period of continuing structural change, there is both the need and the opportunity to co-ordinate and integrate labour market programs, especially income maintenance, training and employment promotion. Persistently high unemployment rates are a reminder that much remains to be done to achieve the productivity gains required to support economic renewal and accelerated job creation.

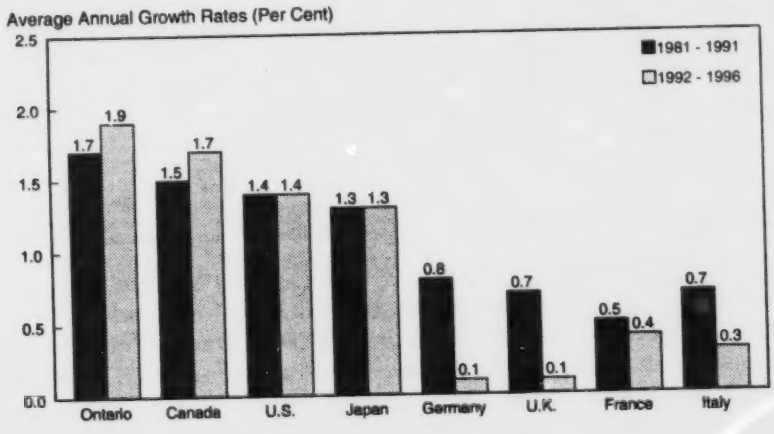
Key Messages:

- Ontario's labour force will grow by an average annual rate of 1.9 per cent between 1992 and 1996, faster than that of other major economies. Improving the training and flexibility of Ontario's labour supply is essential to increasing productivity, investment and employment in the province.
- After three consecutive years of job loss, job creation is expected to resume, averaging 135,000 annually over the next four years. Ontario's active labour market policies encourage labour market partners to work together and invest in workers for a strong and innovative economy with more and better jobs.
- Ontario's unemployment rate will come down slowly. A vital challenge is to help unemployed persons participate fully in the labour force.
- Increased co-operation among labour market partners is important to the continued development of the labour force. Establishing the Ontario Training and Adjustment Board and implementing other active labour market programs and services will help all partners recognize current and potential workers as a resource.

A Strong Foundation

Ontario's labour force is one of the province's key competitive strengths. Our labour force growth of 1.7 per cent annually over the 1981 to 1991 period exceeded that of other major industrialized jurisdictions. With continued high levels of immigration to Ontario expected through the mid-1990s, the labour force is projected to continue to grow by a strong 1.9 per cent per year to 1996.

Labour Force Growth, Ontario and the G-7, 1981 - 1996



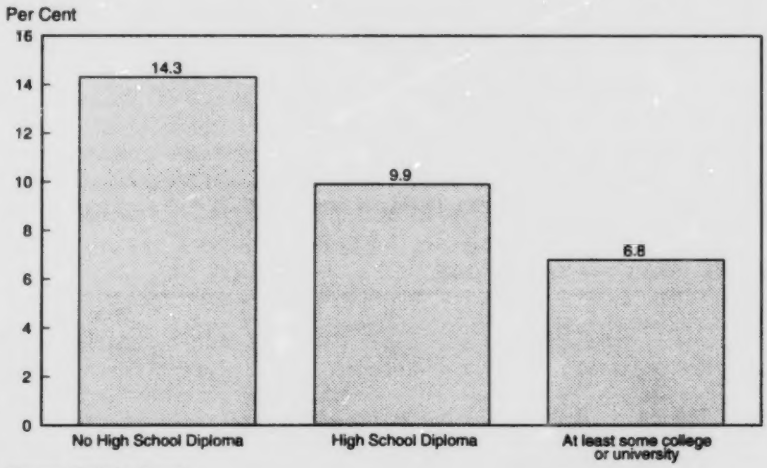
Sources: U.S. Bureau of Labor Statistics, Statistics Canada and DRI

Jobs and Training Outlook

The 25 to 44 age group is the dominant segment of the labour force, accounting for over 50 per cent of Ontario workers. This group is characterized by a high degree of labour force attachment and by high productivity. Over three-quarters of those currently in the labour force are expected to continue to be active in the labour market at the end of the decade, helping maintain Ontario's skills and productivity base.

Ontario's female labour force is growing rapidly. By 1996, women's share of the Ontario labour force will be 47 per cent, up from 45.6 per cent at present. The female participation rate is forecast to rise to 64.6 per cent in 1996, up from 60.1 per cent at present. The increased participation of women is helping to raise the size, skills and flexibility of the Ontario labour force. Roughly 40 per cent of Ontario men and women age 20 and over have at least one year of post-secondary education. This compares favourably with 38 per cent of adults in the United States, and 20 per cent in Japan. Moreover, the level of education of the Ontario labour force continues to increase, with full-time enrolment in Ontario colleges and universities increasing 3.4 per cent in 1991, compared to 1990. Higher educational attainment improves productivity and attracts investment. People with higher levels of education experience lower levels of unemployment, and consequently greater employment and income security.

Unemployment Rate by Educational Attainment, Ontario, 1991



Source: Statistics Canada

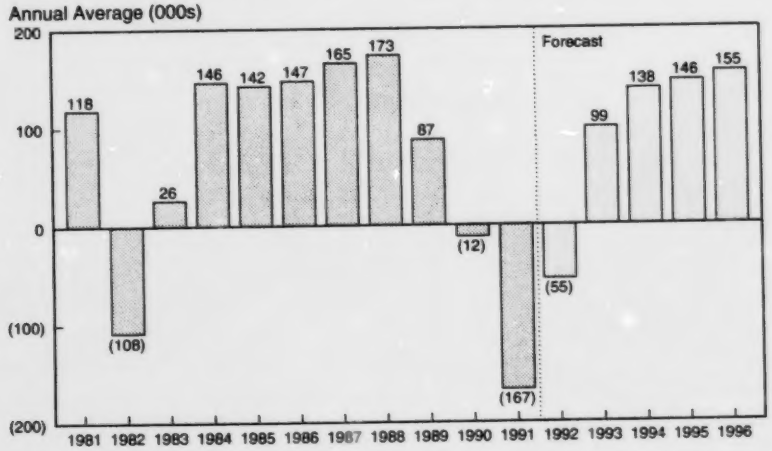
International comparisons of the quality of the labour force and quality of life, such as those by the World Economic Forum and the United Nations, rank Canada high relative to other major economies. In the World Economic Forum's 1992 report, Canada ranked second among major economies in secondary-school and higher educational enrolment, and third for its labour force participation, up from fourth position in 1991. The OECD has also recognized Canada's strong performance in education and labour force development. These studies reflect positively on Ontario, which has roughly 40 per cent of the nation's population and labour force, and help promote our attractiveness as a place to locate and invest. One of

the major reasons given by Ford of Canada for its recent $1 billion investment in new production facilities in Ontario was the quality of the province's labour force. Nevertheless, more effective training is a necessary condition for higher productivity growth in the rapidly changing economy.

Employment Growth

Ontario's economic recovery is expected to be moderate, with an average of 135,000 new jobs expected to be created annually over the next four years. Total employment however, is not likely to return to pre-recession levels until 1994 or later. While overall job creation may not be as strong as experienced following the last recession, steady gains in employment are expected to occur in both standard full-time jobs and in non-standard employment such as part-time, temporary and self-employment. The growth in non-standard employment reflects not only employers' preference for flexible work arrangements, but also in some cases the choice of individual workers to pursue different occupational and employment experiences. Working at home, staggered work hours, and job sharing are some of the many options available to today's workers. However, non-standard employment can result in lower incomes and reduced benefits for some employees.

Job Creation, Ontario, 1981 - 1996



Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Generally, however, the jobs created over the medium term are not likely to be the same as the ones lost in the recession. Many establishments were closed permanently and others have dramatically restructured their operations, changing both the quantity and type of labour they require. Many of the workers who have lost their jobs require the active labour market programs and services Ontario is offering to help them secure new and stable employment. The strongest employment growth is anticipated in service, managerial and professional occupations. In these fields and others, higher levels of education and training will be required, in order to increase productivity and attract investment.

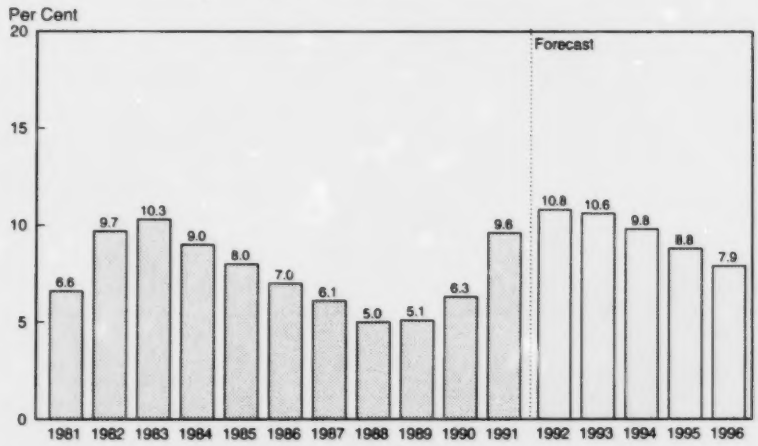
Jobs and Training Outlook

During the economic expansion from 1983 to 1989, knowledge-intensive industries, such as computer software, management consulting, and other business services, accounted for 20 per cent of Ontario's job gains. Over the next two years, this sector is forecast to account for about 40 per cent of job creation.

Unemployment

At 10.8 per cent, the Ontario unemployment rate this year will exceed the peak reached during the recession of the early 1980s as a result of cyclical and structural factors. The rate of unemployment could have been even higher, as persistent economic weakness has led many individuals to give up their job search, withdraw from the labour force, and not be counted in the official measures. While job creation will reduce unemployment in Ontario, the reported unemployment rate will decline slowly over the next few years as the stronger economy once again draws these discouraged workers back into the labour force.

Unemployment Rate, Ontario, 1981 - 1996



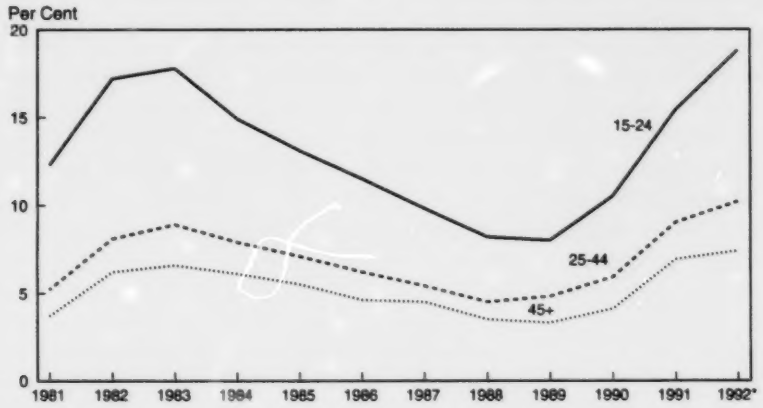
Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

In the 1982 recession, unemployment was primarily a short-term cyclical phenomenon, and was concentrated mainly among young workers. Increasingly, the unemployed are adult workers who have been displaced by permanent plant closures and major layoffs. Adjustment costs for these workers are high in terms of lost skills and earnings, as well as the human costs of extended spells of unemployment. The costs are also high for governments in terms of income and adjustment supports, and lost productive resources for the economy.

One of Ontario's top priorities is to reduce the high level of unemployment. A large component of the province's unemployment is structural in nature, involving a mismatch between the skills available and those in demand. Structural unemployment increased through the 1980s as global competitive pressures, technological changes and inappropriate federal macroeconomic policies affected the diversity and stability of the Ontario economy.

The medium term will see a gradual reduction in unemployment in Ontario, but not all age groups will benefit equally. For example, youth currently experience an unemployment rate of 18.8 per cent, and it is expected to remain high, despite a declining youth labour force.

Unemployment Rate by Age, Ontario, 1981 - 1992



* First eight months.
Source: Statistics Canada

Many unemployed youth are, however, returning to school to complete or upgrade their education. Over the last ten years, the number of students re-entering day school after dropping out has more than doubled. There has also been a dramatic increase in the number of people 25 years or older enrolled full time in college and university programs. In 1990, roughly 20 per cent of university full-time enrolment consisted of such non-traditional students.

Progress in reducing youth unemployment will be slow, since many young people who left the labour force or stayed on longer in the education system will re-enter the labour market. Continued support for private sector employment through programs such as FUTURES, **jobsOntario***Youth*, and apprenticeships are necessary to help young people make a successful transition into the labour force, especially when roughly two-thirds enter the labour force directly from secondary school. Many of the Province's programs provide young people with a mix of in-school and on-the-job training that promotes increased educational attainment along with improved job security and flexibility.

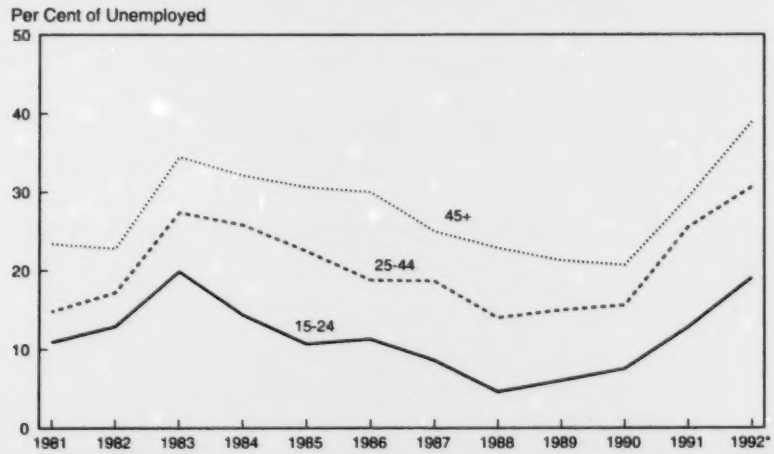
Jobs For Youth

jobsOntario*Youth* is a special $20 million initiative introduced in Summer 1992 to help employment-disadvantaged young people obtain employment experience and on-the-job training. Private and public-sector employers provided summer jobs to more than 8,800 young people in Ontario, creating 300 more jobs than originally expected.

Jobs and Training Outlook

Although the 7.4 per cent unemployment rate of older workers is lower than for the workforce as a whole, older workers are most vulnerable to long-term unemployment, defined as unemployment lasting more than six months. The number of long-term unemployed older workers has more than tripled in the last two years. Almost 40 per cent of unemployment among those 45 years of age and over is long-term, compared with 21 per cent in 1990. Older workers are at a disadvantage in finding re-employment because of generally lower education, and skills that are often tied to declining industries. Sixty per cent of unemployed older workers have experienced permanent job loss, and 40 per cent have not finished high school.

Long-Term Unemployment By Age, Ontario, 1981 - 1992



* First eight months.
Source: Statistics Canada

The share of total unemployment accounted for by long-term unemployed workers has more than doubled to 29 per cent in the last two years, and is more serious now than in the previous recession. While Ontario may be more fortunate than some European countries, such as France and Italy, where more than half of the unemployed have been without jobs for six months or more, long-term unemployment in Ontario is expected to increase over the medium term because of accelerating technological change, increased global competition, and adjustment pressures from the North American Free Trade Agreement (NAFTA).

Helping the Long-term Unemployed

The Ontario Government has taken a number of steps to help the long-term unemployed, particularly older workers, adjust to these changes. For example, the Province's TRANSITIONS program provides a $5,000 training voucher to help laid-off older workers obtain training for re-employment. The Ontario Help Centres, located in 18 major communities across the province will provide counselling, job placement and referral services to an estimated 20,000 adult workers this year.

New Directions in Labour Market Policy

Investing in human resources is key to improving productivity and attracting new investment and jobs. The government has increased its allocation for training and labour adjustment programs to $930 million this year, an increase of 24 per cent. It is providing over $1 billion in new funding over three years to introduce active labour market programs such as the **jobsOntario***TrainingFund*, and will continue to reform and expand existing programs like Ontario's apprenticeship system.

While government is providing leadership and significant funding, successful labour market strategy requires the direct participation of labour, business, government, community and other labour market partners. These partnerships exist in many parts of the industrialized world, including Western European countries such as the Netherlands, Sweden and Germany, which have high levels of labour-management cooperation and are admired for their highly effective labour market programs. By establishing the Ontario Training and Adjustment Board and other instruments, Ontario is building its own model of partnership, based on experience here and in other countries.

Ontario Training and Adjustment Board

The cornerstone of Ontario's active labour market focus is the establishment of the Ontario Training and Adjustment Board (OTAB) which will bring together representatives from business, labour, organizations representing women, natives, persons with disabilities, racial minorities and francophones, educators/trainers and aboriginal peoples, should they choose to participate, to help design and deliver publicly-funded training and adjustment programs in the province. Over time, OTAB will work with the federal government to establish a network of local boards to help ensure that programs and services are effective in meeting diverse labour market needs across the province. OTAB will focus on four priority areas:

- Workplace and Sectoral Training
- Apprenticeship Reform
- Labour Force Adjustment
- Labour Force Entry/Re-entry

OTAB will have responsibility for reviewing and reforming publicly-funded training and adjustment programs under its authority to make them effective and responsive to the needs of all employers and workers in the province.

The government is working with industry and labour to introduce improved relationships in the workplace through reforms to the *Ontario Labour Relations Act*. The amendments are intended to foster more co-operation between workers and managers, and greater participation by employees in workplace decisions. An involved workforce will support innovation, and suggest productivity improvements that benefit the economy as a whole. Efforts to improve the work environment are also being reinforced through the research and suggestions offered by the Premier's Council on Economic Renewal and the

recently established Premier's Labour/Management Advisory Committee.

Workers themselves are beginning to invest in the economy, not only through personal-skills upgrading, but by pooling their resources and becoming owners or co-owners of businesses. Government programs such as the Ontario Investment and Worker Ownership Program help to support and encourage employees in their role as owners. Workers in Kapuskasing recently took advantage of the government's programs and services to acquire ownership of a major pulp-and-paper facility in their town, thereby securing jobs and investment for the future.

These efforts are being complemented by a growing number of sectoral partnerships being generated among various firms and workers through such vehicles as the Sector Partnership Fund and Sectoral Training and Traineeship agreements. These programs indicate the government's commitment to working with industry, labour and community interests to create more and better jobs in Ontario.

Examples of Active Labour Market Programs and Services in Ontario*

1. **Public Employment Services and Administration**
   - Social Services Employment Program
   - Broader Public Sector Secretariat
2. **Labour Market Training**
   a) Training for unemployed adults and those at risk
      - **jobsOntario***TrainingFund*
      - Transitions

   b) Training for Employed Adults
      - Ontario Skills
      - Apprenticeship
3. **Youth Measures**
   a) Measures for unemployed and disadvantaged youth
      - Youth Employment Counselling Centres
      - **jobsOntario***Youth*

   b) Support of apprenticeship and related forms of general youth training
      - Secondary School Workplace Apprenticeship Program
      - Traineeships
4. **Employment Supports**
   a) Supports for regular employment in the private sector
      - FUTURES
      - Northern Ontario Training Opportunities Program

   b) Support of unemployed persons starting enterprises
      - Youth and Student Venture Capital
      - Centres of Entrepreneurship

   c) Direct job creation
      - Environmental Youth Corps.

   d) Child Care Support
5. **Measures for Persons with Disabilities**
   - Workers Compensation Board Rehabilitation Centre
   - Vocational Rehabilitation of Disabled Persons
   - Supported Employment for Persons With Developmental Handicaps

Income Support Programs

6. **Unemployment Compensation**
   - Social Assistance and Family Benefit Allowance
   - Ontario Employee Wage Protection Program
7. **Early Retirement for Labour Market Reasons**
   - Program for Older Worker Adjustment

* Illustrative of programs and services offered by the Ontario Government.
Source: OECD framework and Ministry of Treasury and Economics.

Chapter 3: The Investment Outlook

Introduction

Investment can be defined as current spending intended to generate future economic returns. Almost all participants in the Ontario economy undertake some type of investment, aiming to increase profits, personal incomes, job security or overall economic growth. Directly and indirectly, these investments are the primary mechanism for enhancing future productivity performance.

Key Messages:

- Diverse forms of investment, including machinery and equipment, R&D and technology, organizational change, training, environmental improvement and public infrastructure, are mutually reinforcing.
- Investments are made by manufacturing and service businesses, individuals and governments. Cooperation and partnerships can make investment more effective.
- Investment in the Ontario economy has not been sufficient to sustain high employment levels and productivity improvements. The future picture is more positive. Business investment is rising, supported by better cash flow and stronger markets.
- Ontario generates sufficient savings to finance investment. However, investment flows do not always reach areas of greatest economic need or payback. Programs such as the proposed Ontario Investment Fund will help address expertise gaps and other barriers to more effective investment.
- Machinery and equipment investment grew through 1991 and is expected to continue growing in the medium term.

Investment assumes different forms, such as machinery and equipment, workplace restructuring, R&D, training, education and physical infrastructure. Each contributes to overall productivity growth. For example, business spending on up-to-date equipment and workplace organization yields higher output and increased profitability. Individual and business investments in education and skills development enhance participation in the workplace and adaptability in the labour market. Physical, social and telecommunications infrastructure lays the groundwork for efficient private production.

By making both capital and labour more efficient, productivity gains contribute to lower costs while increasing or maintaining output. This translates into an improved competitive position. New investments can also encourage better quality control or entry into specific markets, further raising value added and market share. The results are higher

profits, greater incomes for workers and increased employment.

Despite its importance to economic performance, Ontario's record on investment has been uneven. Machinery and equipment investment has been weak relative to other major industrialized countries. R&D investment remains low. On the positive side, investment in service industries has risen. The forecast is also positive, with rising business confidence, higher profits and improving cost competitiveness providing the incentive for new investments.

New Approaches to Investment, Productivity and Jobs

The fundamentals of investment performance are changing. New technologies, including powerful, inexpensive information technologies and modern materials, can revolutionize workplace operations and output. In many cases, however, these cannot simply be grafted onto current structures or successfully introduced into a static workplace. Worker and management training, for example, is a prerequisite for realizing the potential of sophisticated machinery.

The productivity and profitability gains derived from new investment can be magnified through partnerships and cooperation. For many manufacturing and service firms, the effective application of new capital equipment requires a fundamental re-engineering of production processes and systems. This change offers unique opportunities for establishing new organizational structures, aimed at providing responsive workplace environments. In many cases, higher returns from investment hinge on new partnerships with employees based on training, empowerment and decentralized decision-making.

Public Policy and Investment

Public policy has an important impact on productivity-enhancing investment. Macroeconomic policy shocks, such as an over-valued dollar or high real interest rates, can discourage new investment or lower the returns on existing investments. Regulatory and legal frameworks should support investment and economic adaptation, while maintaining appropriate public-interest safeguards.

Ontario is implementing a new approach to economic and industrial policy and is taking an active role in facilitating investment. The 1992 Ontario Budget established an overarching framework for economic renewal, detailed in the Budget Paper *Investing in Tomorrow's Jobs*.

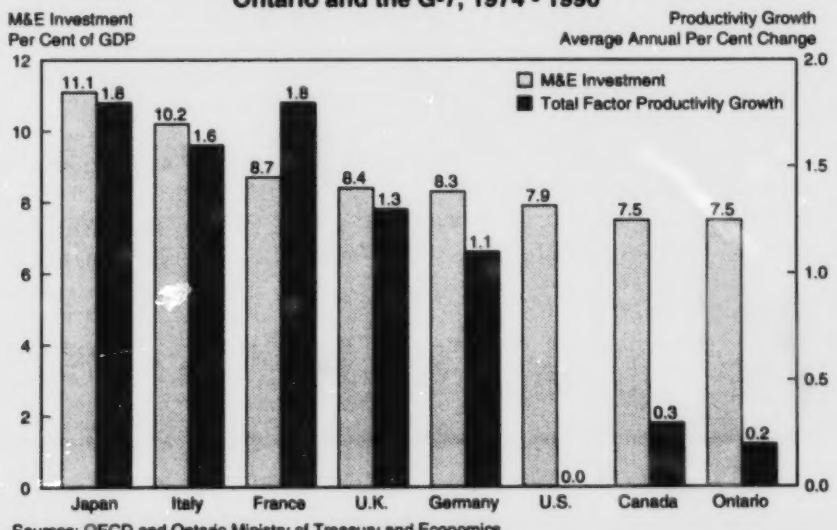
Cooperation can also take place between firms in a sector. Inter-firm networks for technology development, financing, worker and management training, and international marketing provide resources beyond the capacity of individual firms. These synergies are important to the overall economy, supporting dynamic sectors with strong export potential. The intense competitive rivalry associated with healthy markets can help ensure cost-competitiveness.

Machinery and Equipment Investment

Extensive capital investment is an important characteristic of an advanced industrial economy. International comparisons suggest that new investment in machinery and equipment, replacing that made obsolete by rapid technological change, is crucial to improving productivity. State-of-the-art machinery, combined with training and workplace restructuring, leads to tremendous output and quality improvements.

Modern machinery and equipment allows for much more flexible approaches to production. This can help offset the traditional advantages associated with economies of scale. Manufacturing firms in particular are able to target production to specific markets, aiming for higher value market segments. New technologies are also instrumental in monitoring and improving production quality, again improving the competitive potential of manufacturing firms. Ontario manufacturers, despite the depth of the recession, increased real machinery and equipment investment by 4.4 per cent in 1991.

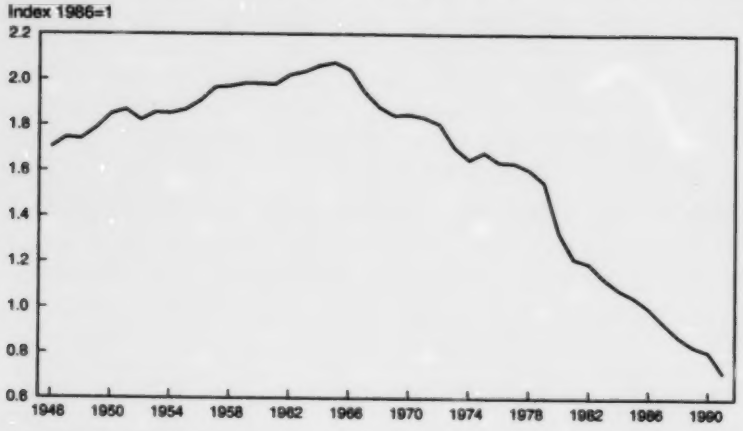
Machinery and Equipment Investment and Productivity Growth, Ontario and the G-7, 1974 - 1990



Sources: OECD and Ontario Ministry of Treasury and Economics

In addition, the incorporation of information technology advances into machinery has allowed for a sustained decline in the real cost of machinery and equipment. The result is better equipment at lower cost.

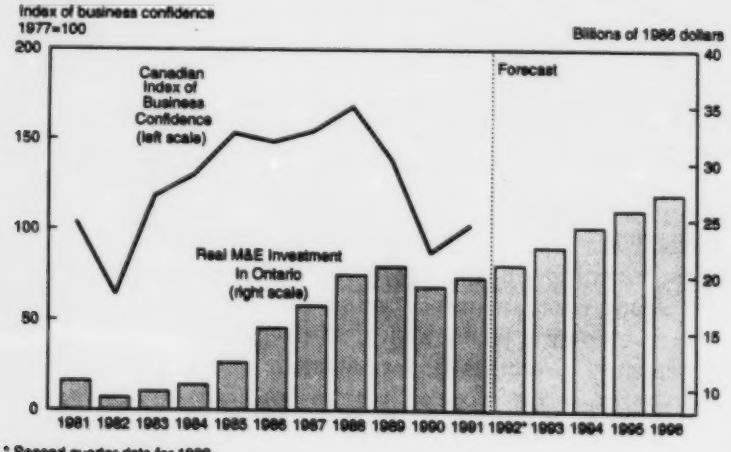
Cost of Machinery and Equipment Investment, Canada, 1946-1991*



* relative to total GDP Price Index
Source: Statistics Canada

Fortunately, Ontario businesses are taking advantage of lower equipment prices, prospects of higher corporate profits and greater confidence to increase investments in machinery and equipment. In constant dollar terms, business spending on machinery and equipment in Ontario grew steadily through 1991. Although spending suffered a temporary setback in the first half of 1992, a resumption in machinery and equipment investment is expected this year. According to Statistics Canada's revised investment intentions survey, Ontario's businesses intend to increase current dollar spending on machinery and equipment for 1992 by 6.3 per cent, up from the 3.4 per cent increase anticipated earlier in the year. Real investment in machinery and equipment in Ontario is also expected to continue to rise in the medium term.

Investment in Ontario and Business Confidence in Canada, 1981 - 1996



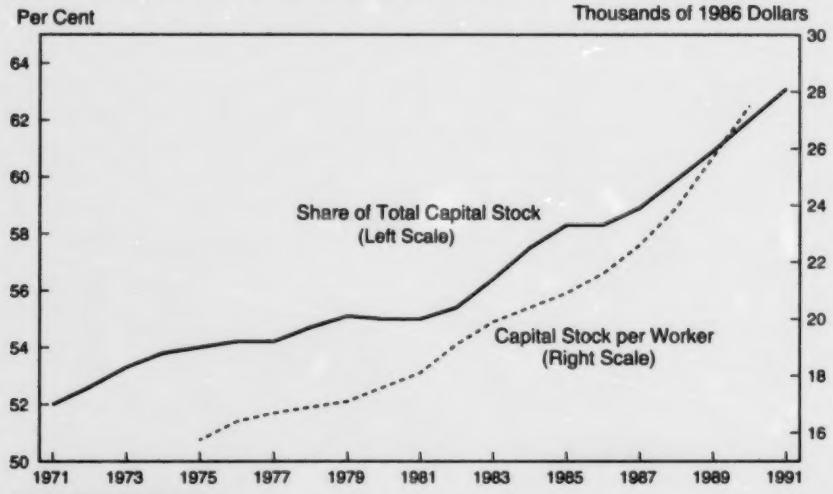
* Second quarter data for 1992
Sources: Ontario Ministry of Treasury and Economics, Conference Board of Canada

Service Sector and New Business Investment

Ontario's service sectors are tremendously important to the overall economy, accounting for about two-thirds of output and employment. Many services are traded internationally, and productivity gains enhance competitive positions. Manufacturing industries also rely heavily on business services, and benefit from lower costs. Productivity increases for personal or non-traded services contribute to overall living standards by reducing prices or increasing service availability.

A growing share of the province's investment has been in the service sector. Investment per service-sector worker is rising steadily. About two-thirds of Ontario's stock of machinery and equipment is used outside manufacturing, up from half in 1971. Service activities are improving productivity through high-technology equipment. For example, electronic bar-code readers are commonplace in the retail industry, leading to better customer service and inventory management.

Machinery and Equipment Capital Stock
in Non-Manufacturing Sector, Ontario, 1971 - 1991



Source: Statistics Canada

The service sector is a source of key technological advances and new entrepreneurial activity. In the province's competitive software industry, for example, considerable innovative activity is taking place in start-up or smaller enterprises. Small organizations are often leading the way in changing technologies, creating new forms of workplace organization and responding to increased competition.

Helping New Enterprises

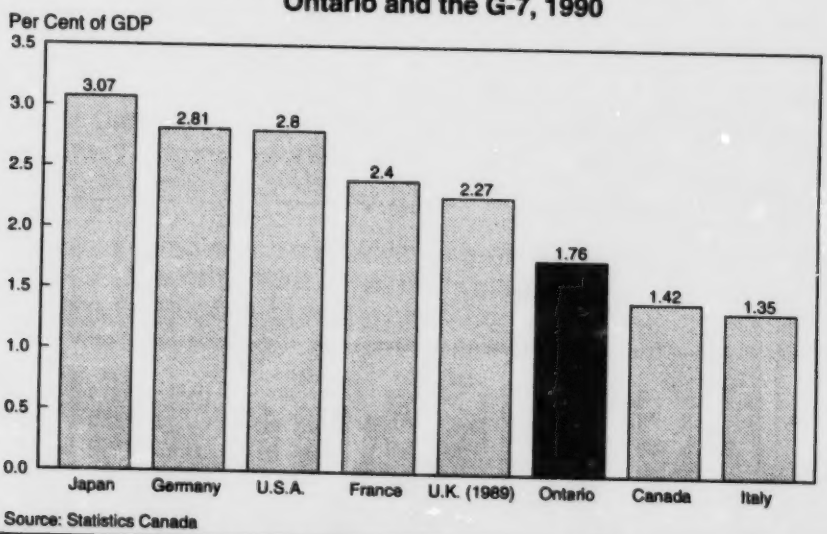
The government has several programs to help increase access to financing for smaller and technology-oriented companies, including the Innovation Ontario Corporation and the recently announced Sector Partnership Fund. The Premier's Council on Economic Renewal is also exploring ways to help groups of companies pool investment capital, management expertise, and modern technologies. The 1992 Ontario Budget targeted additional tax relief to small business.

Investment in Research and Development

Investment in research and development (R&D) adds to the stock of knowledge in the economy. The practical application of this knowledge yields important productivity gains by improving production processes and creating better products and services.

Canadian investment in R&D traditionally ranks below that of other industrialized countries. This reflects both industrial structure and the preponderance of foreign-owned firms. Foreign firms tend to conduct relatively less in-house R&D in Canada than their domestic counterparts.

Expenditure on Research and Development, Ontario and the G-7, 1990



Source: Statistics Canada

Making effective use of limited R&D resources is an important challenge for the Ontario economy. In part, low R&D spending is offset by acquiring knowledge generated elsewhere. This takes place through the intra-firm channels of multinational corporations or through imports of machinery, equipment and patents.

There is also an emerging opportunity to increase Ontario-based R&D by

multinational corporations. As multinationals increasingly lose identification with any one country, they can be encouraged to acquire a world product mandate and associated research and development. There are positive signs in this direction, with R&D expenditure by foreign-controlled companies almost doubling from 0.7 per cent of sales in 1975 to 1.3 per cent in 1989.

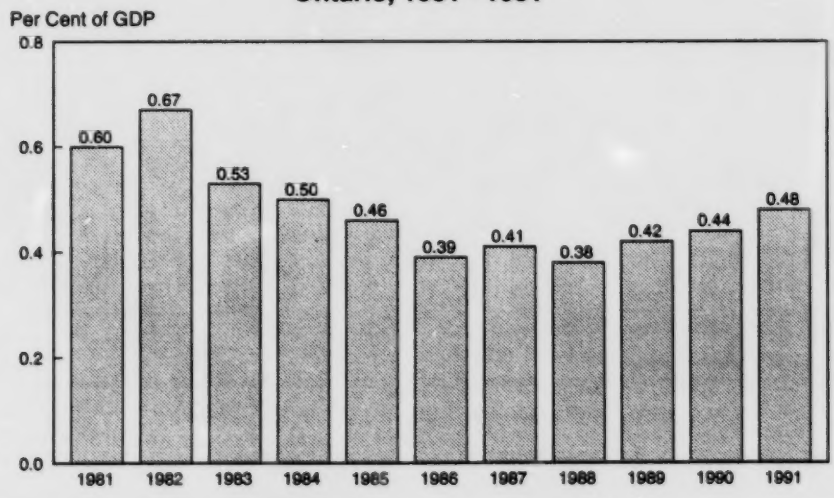
Encouraging R&D and Technology Diffusion

Ontario is committed to helping the private sector meet R&D and technology diffusion challenges. A province-wide R&D and technology diffusion network is in place, based on university research, community colleges and government laboratories. Direct programs encouraging collaboration between business and academic researchers and among businesses include the Ontario Centres of Excellence, Industry Research Program, and University Research Incentive Fund. To provide greater tax-based incentives for high-technology activities, the 1992 Budget broadened eligibility for the R&D Super Allowance.

Government Investment in Infrastructure

Public investments in physical infrastructure -- highways, telecommunications, urban transit, water and sewer systems and hospital, education and other facilities -- are essential to economic efficiency. Ontario and Canada have traditionally benefited from comprehensive public infrastructure, with the investments of past decades continuing to support current output and productivity.

Provincial Government Investment in Fixed Capital, Ontario, 1981 - 1991



Source: Ontario Ministry of Treasury and Economics

Public infrastructure, however, cannot be taken for granted. The Ontario

Government's contribution to overall investment in fixed capital has fallen. Over the coming years, investments by Ontario and other governments will need to be strategically linked to the future needs of the economy.

New investments can help alleviate bottlenecks that develop due to aging facilities, and take advantage of new forms of infrastructure technology. These latter advances are necessary to keep pace with the expansion and increasing sophistication of the private economy. For example, "smart" highways can use information technology networks to reduce congestion, pollution and energy consumption. Government support for innovative infrastructure projects can also provide private firms with important experience and competitive advantages in bidding for international projects.

Infrastructure investment offers a powerful job-creation mechanism, concentrating direct and indirect benefits in the provincial economy. With substantial unemployment and under-utilized capital equipment in construction, engineering and related fields, governments can pursue physical infrastructure projects at lower cost and with greater stimulation to the overall economy.

Ontario Infrastructure

Ontario has moved aggressively to make necessary public investments. The 1992 Budget set a $3.9 billion target for capital spending. **jobsOntario***Capital* and **jobsOntario***Homes* will direct strategic investments to areas of greatest social need and future productivity gains.

Recognizing the vital role of capital spending, Ontario is developing a separate capital report. The government is also undertaking specific steps to establish strategic linkages between infrastructure and emerging economic requirements. For example, the recently released report of the Telecommunications Advisory Committee, "*Telecommunications: Enabling Ontario's Future*", provides an illustration of the government working together with partners (business, labour, users and providers of telecommunications services) in establishing an appropriate telecommunications strategy. This will focus on building infrastructure to support Ontario's dynamic telecommunications sector, promoting telecommunications applications, and developing the Ontario Government as a model user.

Financing Investment

Investments by workers, business or governments, require access to financial capital. This capital can be generated by domestic savings, or by attracting financing from other countries. Ontario's relatively high gross savings rate, averaging about 26 per cent of GDP, has exceeded investment requirements over the past three decades. Ontario residents have typically been net lenders to the rest of Canada and the world. Ontario savings have been adequate to finance past levels of aggregate investment. The province does not face an overall shortfall of financial capital.

Despite the relative availability of capital, however, Ontario workers, businesses and governments have not invested sufficiently to ensure sustained productivity growth. The key questions centre on the distribution and use of capital. It may be possible to invest more

effectively in workplace change, innovation, machinery and equipment, human resources and other measures to increase future productivity.

Financing Investment and Productivity Gains

The government has taken positive steps to develop new ways to finance positive economic restructuring. For example, the government has introduced the Ontario Investment and Worker Ownership Program. This program provides tax credits to encourage all Ontarians to invest in the Ontario economy through Labour-Sponsored Investment Funds. It also provides tax credits to employees who are prepared to become significant partners or owners in their employer's firm. Together, the tax credits offered through this program create new opportunities for investment, productivity and employment.

To help match financial capital to the underlying requirements of the economy, the government is developing the Ontario Investment Fund. The Fund will work with financial institutions, major investors, pension funds and labour groups. This effort will focus on creating the expertise necessary to identify and evaluate new opportunities for sustained productivity gains and financial returns across the economy. Investment capital will be raised on a strictly voluntary basis, with the government adopting a supporting role to private sector knowledge and financial resources. An advisory group of senior business, financial and labour representatives is currently working with the government to establish an effective fund.

Chapter 4: Economic Outlook

Key Messages:

Ontario Economic Outlook at a Glance

	1992	1993	1994-96 (Annual Average)
Real Growth (%)	1.5	3.8	4.1
Employment Growth (%)	-1.1	2.1	3.0
Unemployment Rate (%)	10.8	10.6	7.9*
CPI Inflation(%)	1.4	2.0	2.0

* 1996 Unemployment Rate Forecast
Source: Ontario Ministry of Treasury and Economics

- The Ontario economy is undergoing a period of profound structural adjustment. This will restrain output and employment growth in the short term but presents an opportunity for sustained growth in the medium term.
- Declines in nominal interest rates over the past two years and the lower external value of the Canadian dollar, combined with continued, but modest, U.S. growth have set the stage for a moderate recovery in the Ontario economy. Real output is expected to rise by 1.5 per cent in 1992 and 3.8 per cent in 1993.
- Over the 1992-96 expansion, real growth is forecast to average 3.5 per cent per year. Ontario's pace of economic expansion is anticipated to exceed that of all G-7 countries. Despite the expected recovery, the economy will remain below capacity in the medium term and the decline in the unemployment rate will be gradual.
- Household spending will benefit from low interest rates, pent-up demand, higher migration levels and income gains. Business investment in machinery and equipment will be supported by higher profits and the continuing need to restructure. Export sales will be supported by U.S. growth and the benefits of a restructured economy.
- Productivity growth is expected to average 1.1 per cent over the medium term, comparable to the trend rate of growth during the 1980s. With effective investment, productivity growth could be substantially higher, resulting in higher incomes, profits and job creation.
- If business, labour and government work together effectively to address the challenges of structural adjustment, the economy's performance could be much better than projected in this outlook.

Economic Outlook

Introduction

The macroeconomic outlook presented here is not a target for growth but rather a projection based on reasonable assumptions regarding important economic variables such as interest rates, exchange rates and international growth. The forecast is also based on existing government policies and the current structure of production.

If business, labour and government work together and address the challenges of structural adjustment effectively, the economy's performance could be much better. Partnerships and new forms of cooperation are essential to effective investment. Such cooperation would raise Ontario's productivity growth and lead to increased returns on investment, higher wages and more jobs.

Ontario's Economic Performance: 1981 - 1991

Following a sharp downturn in 1981-82, the Ontario economy expanded rapidly. Over the 1983-89 period, real output and employment rose at an annual average rate of 5.3 and 2.9 per cent respectively, faster than any G-7 country. This rapid pace of growth reflected both the underlying strengths of the Ontario economy and favourable factors outside the province's control. Global economic growth was quite strong, with GDP in the G-7 countries rising 3.8 per cent per year over the same period. Ontario also benefitted from its close proximity to the U.S. market and the rapid pace of growth in U.S. consumer demand, particularly motor vehicle sales during the first half of the 1980s. The declines in the value of the Canadian dollar, oil prices and interest rates, contributed to Ontario's rapid economic expansion.

The worldwide expansion in the second half of the 1980s was fuelled largely by rapid growth in corporate and personal debt. This pattern was most evident in North America. Most of this debt was directed to financing commercial and residential real estate development and an unprecedented wave of corporate mergers and acquisitions. The rapid growth of debt was prompted and validated by rapidly rising asset prices. In that environment, it is not surprising that a disproportionate share of investment was directed toward speculative activities.

Ontario's rapid GDP expansion, in the second half of the 1980s, masked growing imbalances in the economy. The need to restructure the economy was reflected in slow productivity growth, particularly in the manufacturing sector. The profitability of speculative activities led to a shift of resources away from the restructuring required in other sectors of the economy. The rising dollar further undermined the ability of Ontario's manufacturers and exporters to adjust to the challenging new environment created by the Canada-U.S. Free Trade Agreement. Many firms that might have been able to adjust to the onset of free trade went bankrupt because of the high dollar and high interest rates. The introduction of the Goods and Services Tax was an additional factor that eroded consumer confidence and had a severe impact on domestic demand.

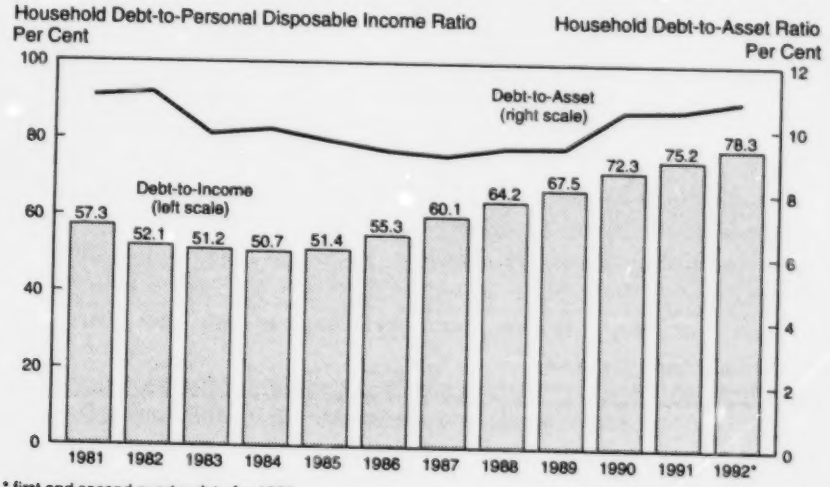
The Household Sector

The rapid pace of growth in household spending in Ontario during the last half of the 1980s was based largely on increased consumer borrowing, particularly for residential

mortgages. Ontario home prices increased by an average of 21 per cent per year in the late 1980s. This encouraged speculative buying, while at the same time making home ownership more difficult for renters. Real residential investment expanded 10.7 per cent per year during the second half of the 1980s. Spurred by notional gains achieved in the housing market and the need to furnish newly completed homes, real consumer spending also expanded more quickly than did disposable income in the late 1980s, adding to the buildup of personal debt.

Household debt as a per cent of disposable income rose from 50.7 per cent in 1984 to 67.5 per cent in 1989. The rapid rise in debt, however, was balanced by an increase in asset values. As a result, the debt-to-asset ratio remained stable until 1990, when housing prices declined. As long as house price increases kept pace with growing debt, the rising ratio of debt to income created little concern among homeowners.

Household Financial Ratios, Canada, 1981 - 1992



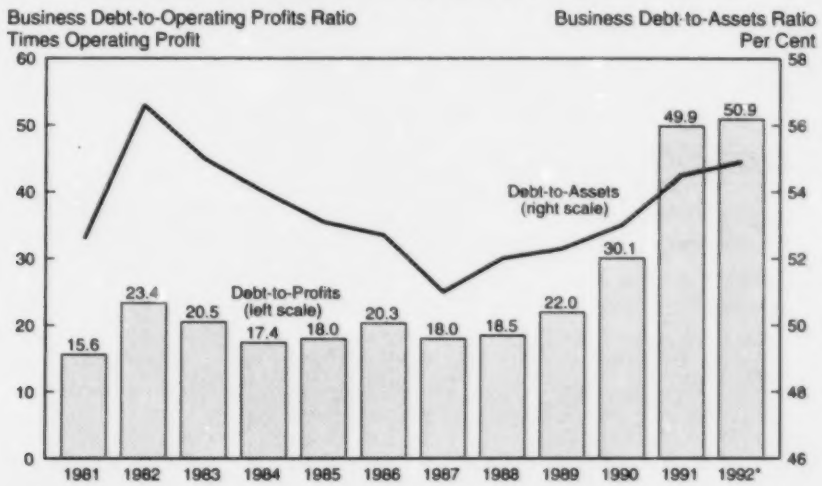
* first and second quarter data for 1992
Sources: Statistics Canada and Bank of Canada

Beginning in mid-1988, the Bank of Canada pushed interest rates up sharply in an effort to lower inflation. Canada's chartered bank prime lending rate rose from under 10 per cent in early 1988 to 14.75 per cent by the spring of 1990 (the second quarter of the recession). Higher interest rates raised debt carrying costs dramatically for the household sector. Debt carrying costs as a per cent of disposable income rose from a low of 7.0 per cent in 1984 to 9.9 per cent in 1990. Rising interest rates and over-valued housing prices sharply curtailed demand, forcing many speculators to unload their real estate assets. Over-supply resulted in a dramatic fall in home prices and a deterioration in households' net wealth. Average resale home prices in Ontario have fallen about 20 per cent from a peak of $196,181 in February 1989, to below $160,000 this summer. This loss in wealth undermined the willingness of homeowners to spend on consumer goods and of potential homeowners to buy into a declining housing market. In 1990, real consumer spending declined for the first time since 1982 and real residential construction plunged 18.5 per cent.

The Business Sector

Corporate borrowing expanded by close to 11 per cent per year in the late 1980s, supported by rapidly rising property values and rents. Rising asset values allowed the debt-to-asset ratio to remain below the peak in 1981-82. Non-residential construction increased at an annual average rate of 10.8 per cent per year. The strength was concentrated in commercial construction activity spurred by rising real estate values.

Business Financial Ratios, Canada, 1981 - 1992*



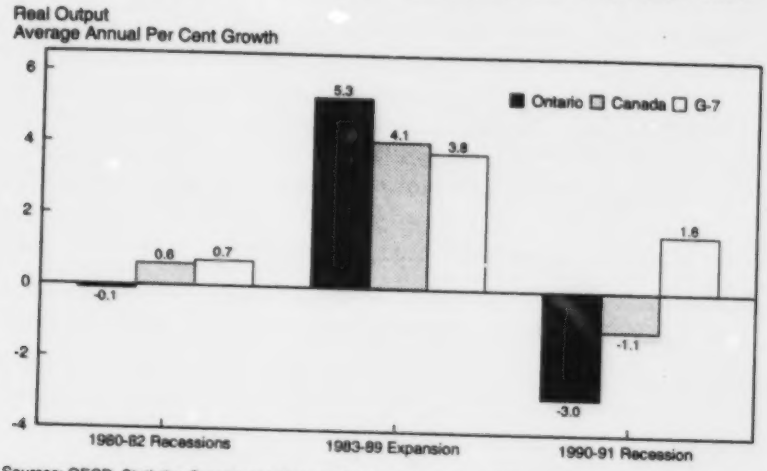
* first and second quarter data for 1992
Source: Statistics Canada

As corporate borrowing increased and profits declined, the level of debt-to-operating profits climbed. In 1990, the combination of rising interest rates and plunging profits made it increasingly difficult for firms to meet their interest payments. The debt-service ratio (interest payments divided by operating profit) climbed from a low of 38 per cent in 1988 to over 100 per cent in 1991. Higher interest rates, the fall in corporate profits (which declined 46.9 per cent between the first quarter of 1989 and the fourth quarter of 1990) and the fall in real estate values contributed to a 21.1 per cent decrease in non-residential construction between 1989 and 1991.

Shifting Sectoral Composition of the Ontario Economy

Ontario's continued reliance on basic technology, industrial materials and interest-sensitive consumer goods such as automobiles and housing produced strong growth in the 1980s, but helped set the stage for a much deeper recession than in the other G-7 countries.

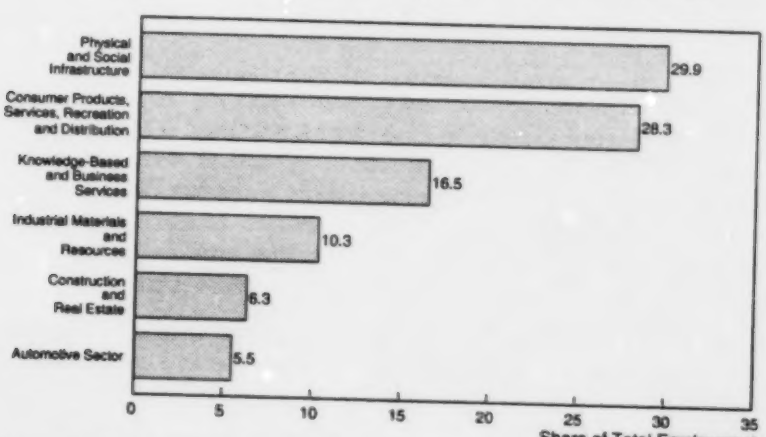
Real Output Growth, Ontario, Canada and the G-7, 1980 - 1991



Sources: OECD, Statistics Canada and Ontario Ministry of Treasury and Economics

The industrial structure of the Ontario economy changed modestly during the 1980s, moving away from resources and low-productivity consumer products toward services and knowledge-based industries. This slow pace of adjustment has resulted in lagging productivity performance in Ontario. Mounting global competitive pressures have forced many Ontario industries to develop market niches and upgrade toward higher value-added activities.

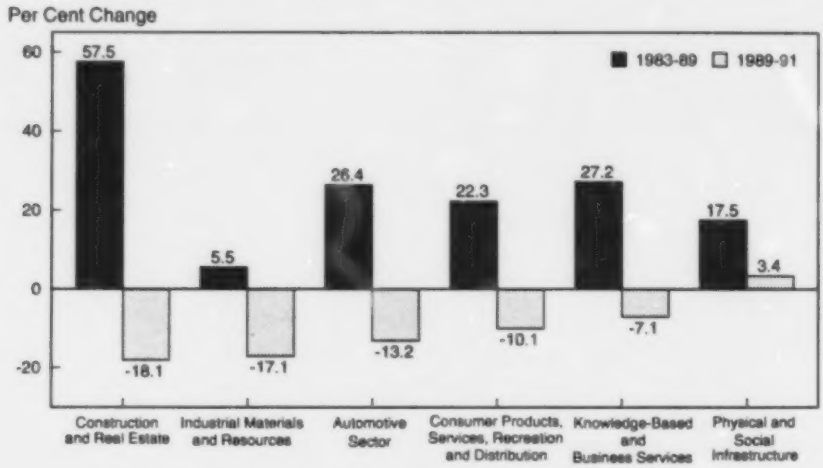
Composition of Employment by Sectors*, Ontario, 1991



* see notes to Table 31 of Data Appendix for definition of sectors
Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

The knowledge-based and business services group of industries -- the leading high value-added, productive sector of the economy -- enjoyed strong growth during the 1980s, in line with other countries. This sector accounted for 20 per cent of the new jobs and provided high-paying jobs. As a result, its share of total employment edged up to 16.5 per cent, but still remains somewhat smaller than in major competitor countries. The relative difference in size compared to competitors in other jurisdictions is even more pronounced in high technology. For example, R&D-intensive manufacturing in Ontario has increased its share to about 9 per cent of total manufacturing shipments, still much less than the 20 per cent share in the United States.

Change in Employment by Sectors*, Ontario, 1983 - 1991



* see notes to Table 31 of Data Appendix for definition of sectors
Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

The consumer products and services sector accounted for the largest share of job gains during the 1980s, reflecting rapid growth in consumer spending. Job gains were concentrated in retail trade and distribution. The strong growth in consumer spending however, contributed to over-expansion in the retail sector and the resulting downsizing that is occurring in this sector. Employment in most manufactured consumer products, such as clothing and textiles, contracted during the 1980s, reflecting growing international competitive pressures and limited success in developing market niches.

The construction and real estate sector increased its share of employment during the 1980s, reflecting the rapid expansion in residential and commercial construction. Speculative activity helped fuel the over-expansion, particularly in non-residential construction. This sector is now facing a marked decline.

The automotive sector, a mainstay of the Ontario economy, remained a source of strength during the 1980s. Strong investment in modern plant capacity played an important role in raising Ontario's share of North American auto assembly to more than 15 per cent.

The industrial materials and resource sector, however, saw little job growth during the 1980s. Employment in agriculture, forestry and smelting and refining decreased. This reflected a continuing secular decline stemming from technological change, reduced materials intensity in production and declining world real commodity prices.

Employment in physical and social infrastructure industries -- a large component of the economy ranging from transportation to social services and public administration -- grew less rapidly than the economy as a whole. The increasing orientation towards a service economy in Ontario, focusing on the specialized needs of people and business, was reflected in strong job growth in areas such as education, health and welfare. This was offset by modest employment growth in transportation, communication, utilities and public administration.

Impact of Recession

Real output in Ontario declined by 7.8 per cent during the 1989-91 recession and 320,000 jobs were lost, making this recession the most severe downturn in Ontario since the 1930s.

Comparison of Post-War Recessions in Ontario

Recession Period	Length (Quarters)	Real GDP Decline (Per Cent)
1951:1 - 1951:2	2	-2.4
1954:1 - 1954:2	2	-1.5
1957:4 - 1958:2	3	-1.6
1974:4 - 1975:1	2	-0.6
1979:4 - 1980:3	4	-2.2
1981:3 - 1982:3	5	-5.9
Average	3	-2.4
1989:4 - 1991:1	**6**	**-7.8**

Many industries responded to the prolonged and widespread declines in sales, and mounting competitive and structural pressures, by engaging in severe cost-cutting and staff reductions, which themselves intensified the declines. Unlike past recessions, most of the plant closings were permanent, as industries closed inefficient plant capacity and consolidated through plant relocation.

Sharp declines in shipments and employment were experienced by low-skill, low-wage manufacturing industries such as clothing, textiles and furniture. Employment in cyclically-sensitive industries such as industrial materials and resources was also hit hard. Knowledge-based and business services employment was not immune to the recession, as

business spending on machinery and equipment and other inputs fell. Growth in R&D-intensive shipments slowed but remained positive. The only source of net job growth was the physical and social infrastructure sector. This largely reflected the Ontario Government's decision to maintain essential services during the recession.

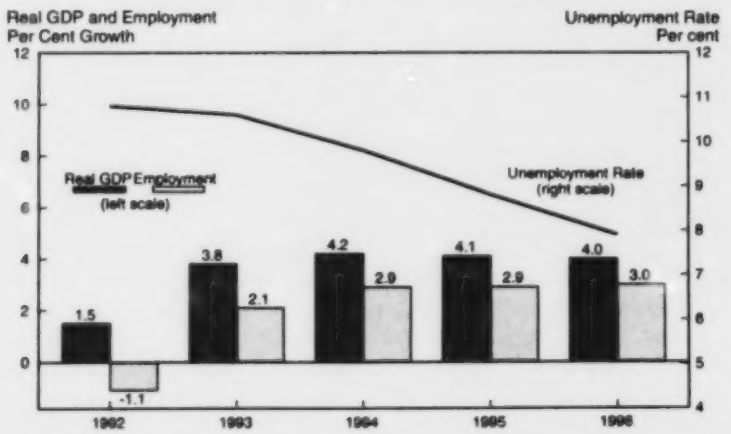
The recession produced a severe deterioration in government finances. A recent publication by the private sector forecasting firm WEFA found that with lower interest rates and a lower dollar, the unemployment rate would have been two percentage points lower in 1991, and the combined government deficits in Canada would have been $29 billion lower.

Economic Outlook

Overview

Ontario's economy is expected to grow by 1.5 per cent in 1992 and 3.8 per cent in 1993. Over the 1994 to 1996 period, growth will accelerate to an annual rate of 4.1 per cent. Household spending will benefit from low interest rates, pent-up demand, higher migration levels and income gains. Business investment in machinery and equipment will be stimulated by a rebound in corporate profits, increased demand and the need to undertake positive structural adjustment. Export sales will be supported by U.S. growth and the benefits of a restructured economy. Productivity-enhancing machinery and equipment investment will improve the competitive position of Ontario firms and encourage stronger job growth in the medium term.

Economic Outlook, Ontario, 1992 - 1996



Source: Ontario Ministry of Treasury and Economics

Key Factors Affecting the Economy

Recent Developments: Hesitant Recovery Under Way

- Low interest rates, a lower dollar and continued, but modest, U.S. growth have provided the basis for a moderate but sustained recovery.
- Ontario real GDP has risen a total of 2.7 per cent since the first quarter of 1991, much slower than previous upturns and well below the 8.3 per cent rise for the same period following the 1981-82 recession.
- Interest rates fell from a peak of 14.75 per cent in spring 1990 to as low as 6.25 per cent in the third quarter of 1992.
- The Canadian dollar has fallen over 10 per cent from the recent peak of over 89 cents U.S. in November 1991.
- While the U.S. economy appears to have lost some momentum, it is still providing stimulus for Ontario's export sector.
- Ontario's August CPI inflation rate was 0.6 per cent, up slightly from a record low of 0.5 per cent in June.
- Employment gains typically lag the recovery in real growth. During Ontario's current recovery, slower real output growth and intense competition have led to continued job losses.

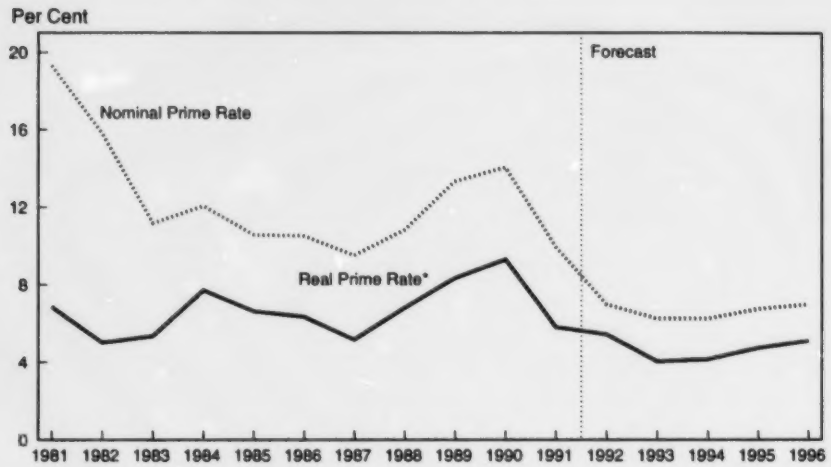
Interest Rates and the Canadian Dollar Lower

The weakness in economic activity and the resulting lower inflation have clearly demonstrated the need for lower interest rates. The prime lending rate fell to 6.25 per cent in the third quarter of 1992, the lowest level since March 1973 and less than half the peak of 14.75 per cent in spring 1990. The real rate (measured as the prime lending rate less the CPI inflation rate) has also come down, falling from a peak of over 10 per cent in mid-1990 to close to 5 per cent recently.

The prime lending rate is forecast to remain close to 6 per cent in 1993 and 1994. The recent volatility in financial markets is expected to be temporary.

Interest rates are expected to rise slightly in 1995 and 1996 as solid economic growth resumes. Federal monetary policy is expected to constrain growth and pre-empt inflationary pressures in the medium term.

Interest Rates, Canada, 1981 - 1996



* Deflated by Canadian Consumer Price Index
Sources: Bank of Canada and Ontario Ministry of Treasury and Economics

The Canadian dollar is expected to trade in the 80 to 84 cents U.S. range in 1993 and increase modestly over the medium term. Canada's improved inflation performance relative to the U.S. and rising trade balance will allow interest rate spreads to narrow over the medium term.

The International Outlook

According to the consensus of international forecasters, the G-7 countries are expected to experience a modest rebound in 1992 and 1993, with average real growth of 1.4 per cent and 2.4 per cent respectively, following 0.7 per cent growth in 1991. Over the 1994 to 1996 period, real output is forecast to strengthen, rising by an average annual pace of 2.9 per cent.

The current recovery in the United States has been very weak by historical standards, with overall real GDP growing only 2.0 per cent since the first quarter of 1991. Like many industrialized countries, the U.S. economy has been constrained by high debt loads and weak household demand.

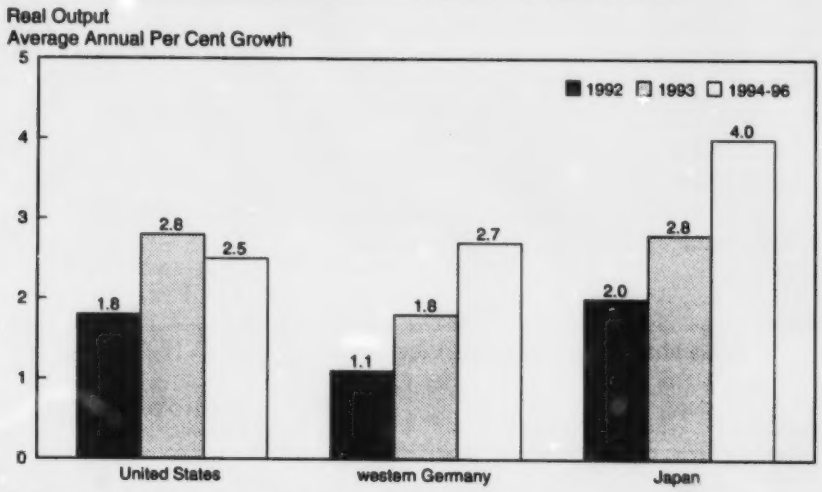
The United Kingdom is experiencing a particularly long and deep recession, and Germany is facing fiscal and inflationary problems due to unification. High German interest

rates are placing upward pressure on global rates.

Japan is experiencing a slowdown in growth, as the effects of the collapse of property and equity markets impact on the economy. The Japanese government's recent 10.7 trillion yen (C$110 billion) stimulative package should have a positive impact.

Overall world growth is also slow, due to a global trend to disinflation and massive international structural adjustments in the face of freer world trade and political changes.

International Economic Growth, 1992 - 1996



Note: GDP data for United States, GNP data for western Germany and Japan
Sources: Blue Chip Economic Indicators and Consensus Forecasts

Canadian Outlook

The Canadian economy is forecast to grow by 1.3 per cent in 1992, and 3.3 per cent in 1993. Over the 1994 to 1996 period, real growth is expected to strengthen, rising at an average annual pace of 3.6 per cent. Canada's growth will be constrained by the slow pace of international growth and restructuring in natural resources and basic technology industrial materials.

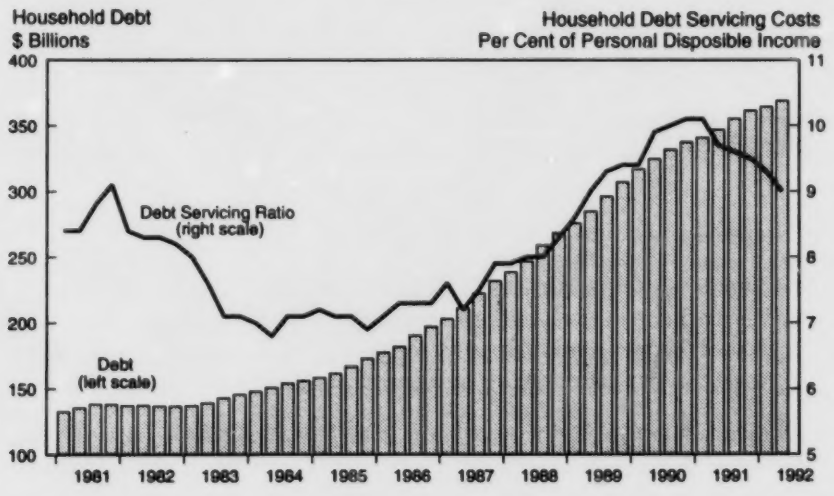
The Ontario Outlook in Detail

Modest Consumption Growth Predicted

Lower interest rates, together with improved labour and housing markets, are expected to brighten the outlook for consumer spending. However, the spending recovery during the short term and the expansion in the medium term are expected to be moderated by high debt loads and high contractionary savings.

Although household debt burdens are still high, the growth has slowed. In the second quarter of 1992, household debt was 6.6 per cent higher than a year ago. This pace of growth is much slower than the double-digit growth recorded during the 1986 to 1990 period. Although mortgage credit is higher than a year ago, consumer credit has actually fallen. Lower interest rates provide significant financial relief for consumers. Debt servicing costs have fallen 9.1 per cent, or $4.3 billion, from the peak in the first quarter of 1991. Debt servicing costs will continue to decline over the coming year as homeowners renew mortgages at much lower interest rates. Refinancing will allow debt service payments to fall. If the existing stock of debt was refinanced at 8.5 per cent (the recent rate for 5-year mortgages), down from 11.5 per cent (average effective rate) currently, debt financing costs would fall an additional 26 per cent (or $11 billion).

Household Debt and Service Ratio, Canada, 1981 - 1992

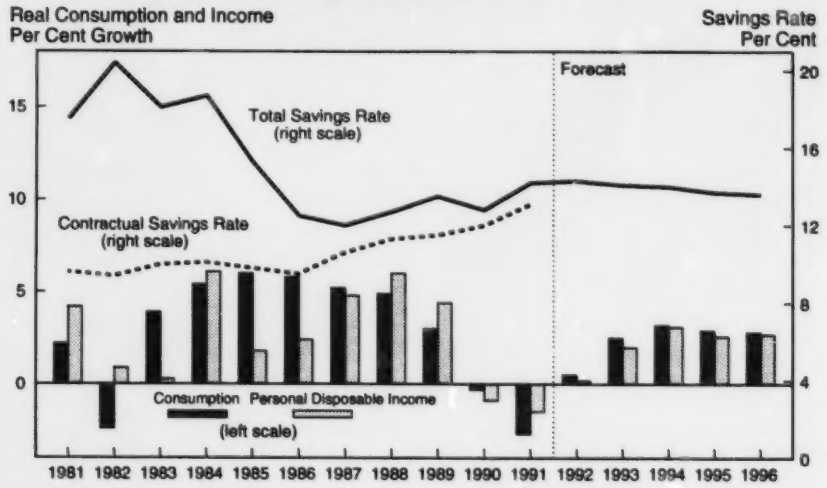


Sources: Statistics Canada and Department of Finance

High debt loads and eroded asset values reduce households' net wealth. As a result, households must reduce their debt loads to improve their debt-to-asset ratio. Lower asset values also limit households' ability to take on new debt to finance purchases. Consumer spending is also constrained by high contractual savings. In 1991, Canadians saved $48 billion or 10.3 per cent of their after-tax income, but over 90 per cent of this total

(or $44 billion) was in the form of contractual savings (including life insurance plans, trusteed pension plans and registered retirement savings plans) leaving only $4 billion in savings accounts. In 1982, Canadians were saving 17.8 per cent of their after-tax incomes which was evenly split between contractual savings ($22 billion) and money deposited in banks ($25 billion). High debt repayment, retirement saving by the baby-boom generation and contractual savings will prevent the savings rate from falling significantly from current levels. Personal spending increases in the 1990s will therefore be supported primarily by gains in real income.

Real Consumption, Real Personal Disposible Income and Savings Rate, Ontario, 1981 - 1996



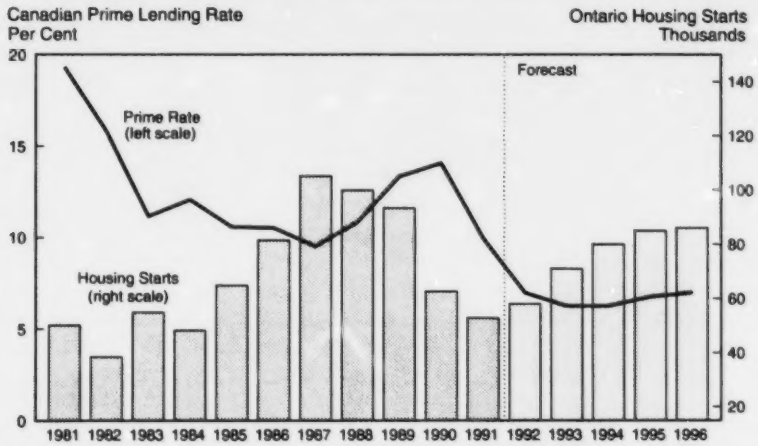
Source: Statistics Canada and Ontario Ministry of Treasury and Economics

As a result, consumption growth is expected to be slower than growth in the overall economy during the forecast period. Real consumption is forecast to rise by 0.5 per cent in 1992 and 2.5 per cent in 1993. Over 1994 to 1996, consumption is expected to strengthen, rising by an average annual rate of 3.0 per cent.

Housing will Contribute to Growth

The significant decline in Canadian interest rates over the last two years, combined with lower housing prices, provides the basis for a recovery in the housing market. According to the Canada Mortgage and Housing Corporation (CMHC), one renter in four can now afford to carry a starter home in Toronto, much improved from June 1990, when only one renter in fourteen could do so.

Interest Rates and Housing Starts, Ontario, 1981 - 1996



Sources: Bank of Canada, CMHC and Ontario Ministry of Treasury and Economics

Housing starts have averaged about 56,000 at annual rates over the first eight months of 1992, up from about 53,000 starts in 1991. This is largely due to increased construction of non-profit housing. Over the June-August period this year, sales of existing homes in Ontario were almost 10 per cent above levels of a year ago.

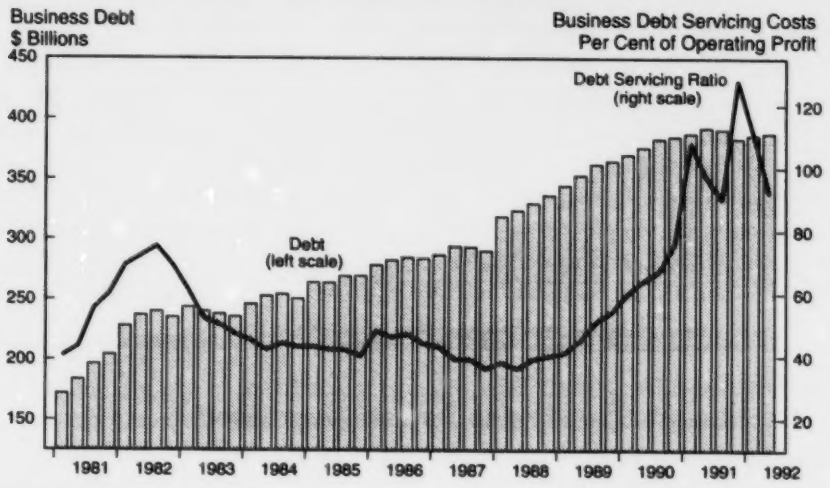
Ontario's housing market should strengthen appreciably over the medium term, supported by pent-up demand, rising employment and incomes, restrained house prices and continuing low mortgage rates. Demographic trends also support a sustained recovery in the housing market. The second, and larger, half of the baby boom generation is still in the prime first-time home-buyer age group (i.e. 26-35 years). Higher international migration and a return to positive net interprovincial migration will also increase demand for housing. According to the CMHC, underlying housing requirements are projected to average 77,500 units annually in the first half of the 1990s. In addition, **jobsOntario***Homes* will provide an ongoing stimulus to home builders by supporting the provision of 20,000 non-profit dwellings.

Residential investment is expected to grow by 7.6 per cent in 1992, accelerating to 14.3 per cent in 1993. Housing starts are expected to total 58,000 this year, rising by 22 per cent to 71,000 in 1993. Over the medium term, housing starts will increase to the 80-86,000 range. As a result, the housing sector is forecast to average 8.1 per cent growth during the 1994 to 1996 period, outpacing overall economic growth.

Machinery and Equipment Investment Set to Rise

Higher profits and lower interest rates have reduced debt-service burdens. As a result, business is in a better position to undertake positive restructuring to take advantage of the improving competitive position produced by lower interest rates, a lower dollar, decelerating wage increases and decreases in rent and other costs.

Business Debt and Service Ratio, Canada, 1981 - 1992



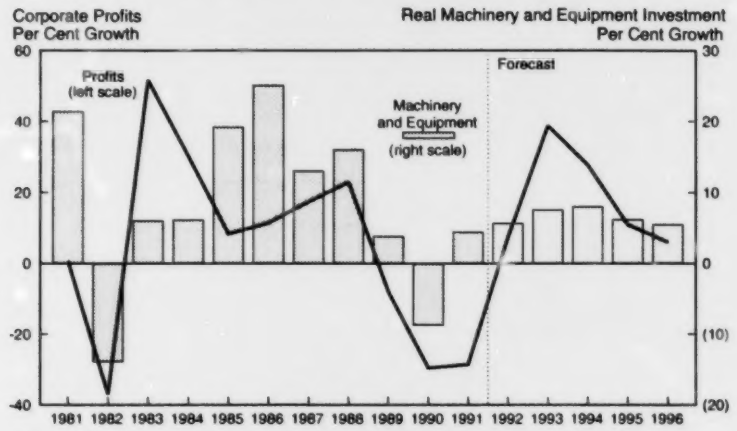
Note: Non-financial corporations
Source: Statistics Canada

The recent drop in the dollar is expected to encourage higher investment, due to the boost it will provide to Ontario's export and import-competing industries. However, this positive stimulus will be partially offset because the lower dollar also raises prices for imported machinery and equipment. All of the anticipated increase in business investment during the near term reflects higher spending on productivity-enhancing machinery and equipment. The recovery in equipment investment reflects lower equipment prices and ongoing competitive pressures to improve productivity. The investment recovery will be sustained by stronger demand growth, low nominal interest rates and corporate tax cuts in the federal and Ontario budgets.

Real investment in machinery and equipment is expected to rise by 5.6 per cent this year, and by 7.5 per cent in 1993. The rebound in corporate profits in the first half of 1992 should allow increased machinery and equipment investment in the short term. Stronger economic growth and a continued recovery in profits will boost spending on equipment by an average 6.5 per cent annually over the 1994-96 period. This is slower than the 18.2 per cent average annual increase during the auto-led investment boom of the 1985-88 period. However, the 1990s are expected to entail more moderate economic growth in Ontario and worldwide. Increased investment bodes well for future productivity and output growth in the overall economy, since it enhances the competitive position of Ontario businesses. This

rate of growth could be even higher with supportive policy and strong partnerships between business, labour and government.

Corporate Profits and Investment, Ontario, 1981 - 1996

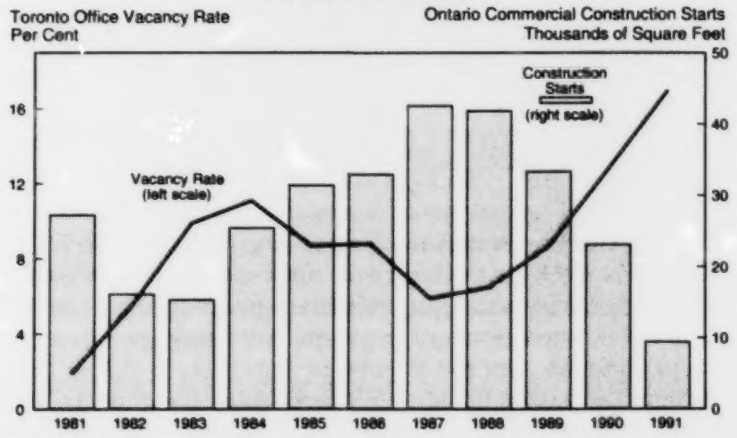


Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Commercial Real Estate Spending to Remain Depressed

Ontario's commercial real estate market has been severely affected by the recession and by over-building in the late 1980s. The marked cyclical pattern of office vacancy rates in the Metro Toronto area reflects the building boom in the second half of the 1980s and the subsequent glut that now prevails.

Office Vacancy Rates and Commercial Construction, Ontario, 1981 - 1991



Source: Royal LePage and Canadata

In addition, a number of other factors will likely ensure that commercial real estate problems will not go away quickly.

Ongoing restructuring and consolidation in the financial-services industry will dampen demand growth for office space in the 1990s. Employment growth is expected to be weaker than in the 1980s. Competitive pressures are forcing firms to utilize office and retail space more efficiently, and technological advancements are facilitating an increasing number of work-at-home employees.

Although some specialized plants will be built, excess industrial space will limit growth in non-residential construction. Given current high levels of idle manufacturing capacity and prospects for only modest near-term growth in industrial production in Canada and the U.S., investment in additional plant capacity will lag the overall recovery in the Ontario economy.

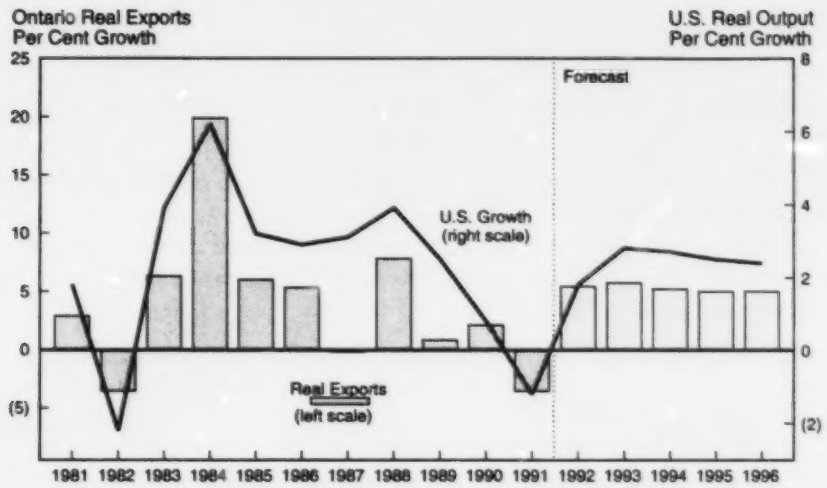
Given current conditions, real non-residential construction spending in Ontario is expected to fall by 13.1 per cent in 1992, and by a further 4.2 per cent in 1993. Ongoing weakness due to the excess supply of office, retail and industrial property will be only partially offset in the near term by increased construction in the communication and utilities sectors. Non-residential construction activity is forecast to post modest increases in the 1994 to 1996 period, once the maturing economic expansion sufficiently absorbs excess capacity.

Improved Competitiveness Supports Recovery in Trade

The Ontario economy is particularly open to, and dependent upon, trade. International exports are equivalent to about 30 per cent of the total economy, with autos and auto parts comprising by far the largest component of provincial exports. For comparison, U.S. exports are equivalent to only about 11 per cent of that country's output.

The U.S. is by far Ontario's largest export market, accounting for 88 per cent of Ontario's international exports. The U.S. has been experiencing a very gradual recovery since the second quarter of 1991, which helped Ontario's export volumes rise by over 10 per cent from the first quarter of 1991 to the second quarter of 1992. Vehicle sales in the U.S., which are a crucial barometer of Ontario's export fortunes, have been boosted by strong growth in light truck sales. The rest of the G-7 countries, which take in 4.1 per cent of Ontario's exports, are unlikely to provide a significant boost to the province's exports in the near term.

U.S. Growth and Ontario Exports, 1981 - 1996



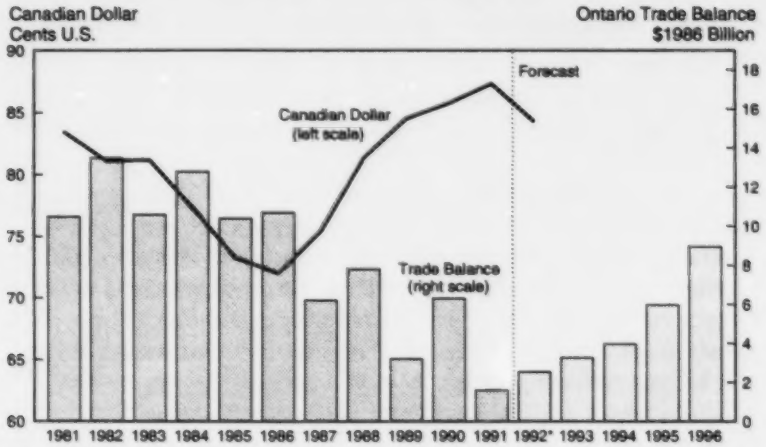
Sources: U.S. Department of Commerce, Ontario Ministry of Treasury and Economics

Currently, less than 30 per cent of Ontario's exports go to other provinces. Economic growth in the rest of Canada is expected to be somewhat slower than in Ontario over the medium term. Thus, exports to the rest of Canada will remain relatively slow.

The current economic restructuring process will raise Ontario's productivity, and thus improve Ontario's competitive position. In addition, Ontario is becoming more cost competitive due to the lower value of the Canadian dollar and lower interest rates.

In 1992, weak domestic demand and a rise in the price of imported goods, reflecting a decline in the dollar, will keep import growth below that of exports. Real exports are forecast to grow by 5.4 per cent in 1992 and 5.7 per cent in 1993. Over the 1994 to 1996 period, exports growth will average 5.1 per cent, as U.S. recovery picks up steam and North American auto sales experience a cyclical rebound. Imports are forecast to grow more slowly than exports over this period, as Ontario domestic demand for consumer and investment goods gradually recovers.

Exchange Rate and Real Trade Balance, Ontario, 1981 - 1996

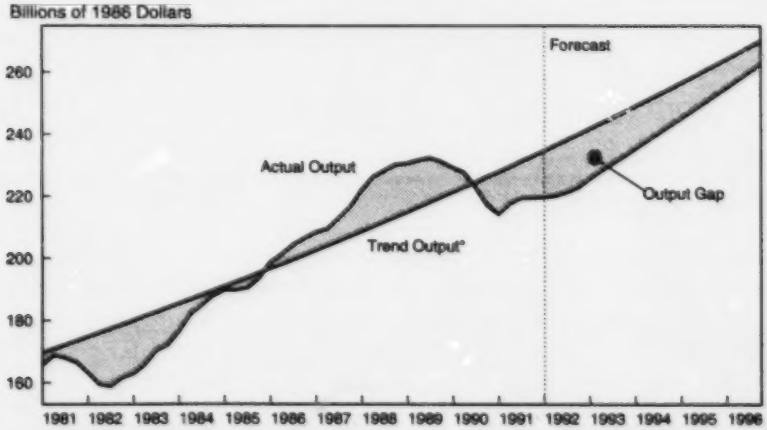


* January to August 1992 Average
Sources: Bank of Canada, Ontario Ministry of Treasury and Economics

Ontario Output is Significantly Below Capacity

The reduction in output associated with the 1989-91 recession has opened a large gap between the economy's actual and full capacity level of output. Plant closures and unemployed workers represent a significant loss of production. The peak-to-trough output loss during the recession was 7.8 per cent, much higher than the 5.9 per cent decline during the 1981-82 recession.

Trend and Actual Output, Ontario, 1981 - 1996



*Trend growth is assumed to be 3.0 per cent per year
Source: Ontario Ministry of Treasury and Economics

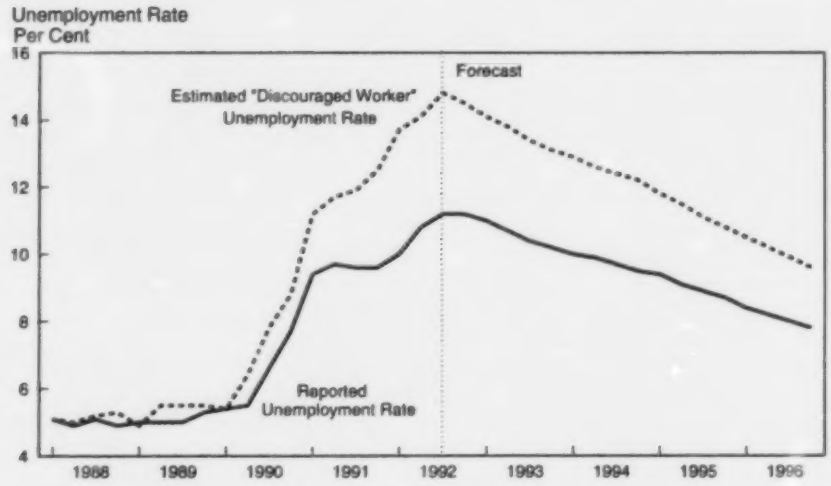
Economic Outlook

The forecast for average annual real growth of 3.5 per cent over the 1992 to 1996 period will keep output below full capacity, and the unemployment rate will decline slowly. Government policies to promote stronger growth and faster job creation are needed to close the output gap.

Unemployment Rate Will Remain High

Ontario has lost a record 320,000 jobs since early 1990. The province's unemployment rate has more than doubled since 1989 to reach 11.3 per cent in August 1992. In addition, the measured rate of unemployment understates the weakness of the labour market, as many thousands of Ontarians who have given up looking for employment are not therefore counted as "unemployed". If these people had not stopped looking for work, the unemployment rate would have been higher. The high level of unemployment demonstrates the need for active labour market policies.

Unemployment Rate, Ontario, 1988 - 1996



Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

As detailed in Chapter 2, the moderate recovery forecast for the Ontario economy over the next few years will lead to positive job creation and a decline in the unemployment rate. However, employment gains will be partially offset by an increase in the number of job seekers, which will slow the decline of the unemployment rate. A large number of former employees have given up looking for work, and are expected to return to the labour market once employment conditions improve. Also, new workers are constantly entering the labour market as the population grows.

Employment in Ontario is expected to fall by 1.1 per cent in 1992, and the unemployment rate will average 10.8 per cent. In 1993, employment is forecast to grow by

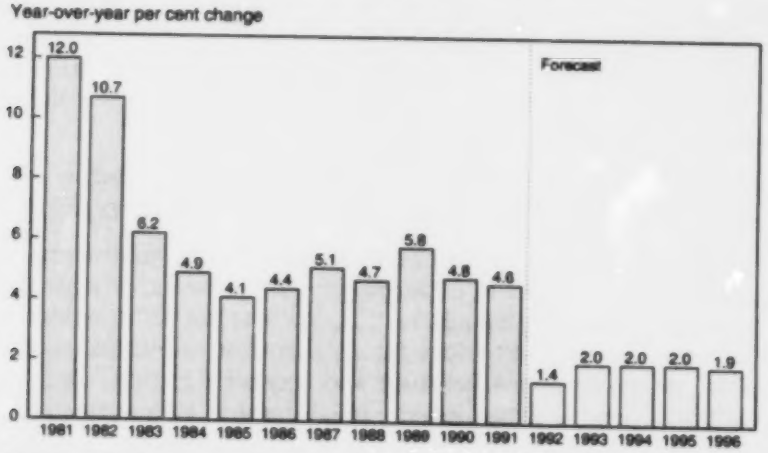
2.1 per cent, which will reduce the unemployment rate slightly to 10.6 per cent. Over 1994 to 1996, continued economic growth should lead to an average increase in employment of 3.0 per cent, or 146,000 per year, and the unemployment rate should decline to just under 8 per cent by 1996.

Although the reported unemployment rate is forecast to fall only gradually over the medium term, the real unemployment rate, which includes discouraged workers, is expected to fall more rapidly.

Inflation Remains Low

Between 1992 to 1996, Consumer Price Index (CPI) inflation in Ontario is expected to remain well below the level experienced during the 1980s. Consumer prices are expected to rise by 1.4 per cent in 1992 and 2.0 per cent in 1993. Over the medium term, CPI inflation is expected to average 2.0 per cent per year. The continuing slack in both the labour and output markets as well as the increase in global competition will restrain increases in production costs and prices. If the exchange rate is lower than expected, Ontario's CPI inflation will be higher than forecast.

CPI Inflation, Ontario, 1981 - 1996

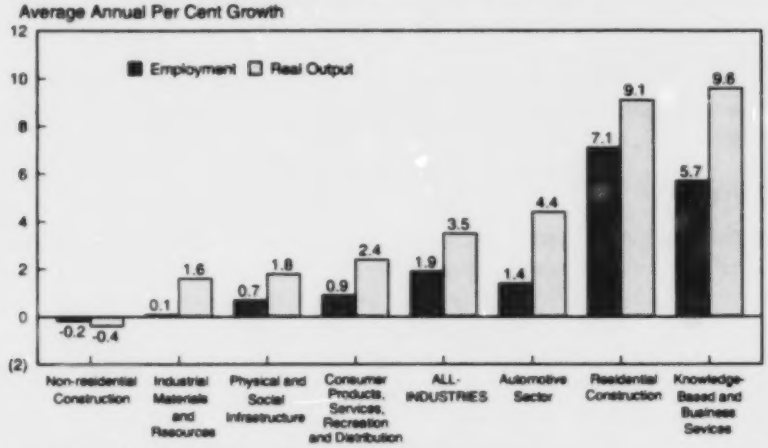


Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Sectoral Composition Continues to Shift

The economic recovery is being led by traditional industries such as housing and auto exports to the United States. Much-improved manufacturing productivity will pave the way for recovery in many other industries, once higher domestic spending and exports allow business to fully utilize more efficient capacity. The resulting improvement in corporate profits should help stimulate additional investments by industry to upgrade productive capacity and ensure continued expansion.

Sectoral* Employment and Output Growth, Ontario, 1992 - 1996



* see notes to Table 31 of Data Appendix for definition of sectors
Source: Ontario Ministry of Treasury and Economics

As during the past economic expansion from 1983-1989, the Ontario economy is expected to continue to increase its orientation toward knowledge-based and business services industries. Intense structural and competitive pressures to upgrade technology and equipment will likely reinforce this trend, with this sector providing a major contribution to output and job growth.

This high value-added sector, together with the automotive sector, will also continue to enjoy productivity growth well above the economy as a whole over the medium term.

An acceleration in North American business spending on machinery and equipment to upgrade productive capabilities will underpin growth in the knowledge-based and business services sector. Emerging new industries, such as the environmental protection industry, will also create new opportunities for employment. Nevertheless, to keep up with foreign competitors and maintain market share and economic growth, most industries throughout Ontario will need to invest heavily in equipment, technology, skills and workplace re-organization to raise productivity and competitiveness.

Growth in the resource and industrial materials sector is expected to be slow, but profitability will improve as a result of higher prices, the lower Canadian dollar and low interest rates. Although overseas markets may provide some opportunities for expansion, continuing restructuring pressures and changing technologies will maintain pressure for industries to adapt and move toward higher value-added production across the entire economy.

Growth in consumer products and services industries will remain modest, reflecting some cyclical improvement in sales and partial success in restructuring industries to become more productive and export-market oriented. Productivity growth in this sector is expected to remain close to the economy-wide average. Further progress is needed to promote restructuring and innovation in the consumer sales and distribution network.

Summary

Ontario has come through its most severe recession since the 1930s. The downturn was deeper and lasted longer than most analysts had expected, but there are now convincing signs that recovery is taking hold. Growth will remain modest through the next few years. The province's growth rate will compare favourably with that of most industrialized countries.

There are three reasons for this optimism. Ontario has a number of key strategic advantages that will continue to attract investors, including a central location in North America, a well-trained and motivated labour force, good social programs, and superior physical infrastructure. Second, Ontario industries are restructuring at an accelerating rate, enriching our economic base with higher value-added products and jobs. New processes and technologies are being introduced, and firms are becoming more competitive in response to the increasingly competitive, global economy. The province benefits from having a core of sophisticated, internationally-oriented firms to lead the way. Third, the government has announced a comprehensive strategy for economic renewal, based on the principle of refocussing government activities and programs to provide increased support for positive structural change. Productivity and economic performance will improve as the new strategy is implemented, and as the government's economic partners respond to the new incentives and institutional arrangements being introduced.

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Data Appendix

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Table 1 **The Ontario Economy, 1991-1996**

	(per cent change)					
	1991	1992	1993	1994	1995	1996
Real Gross Domestic Product ($1986)	**-2.9**	**1.5**	**3.8**	**4.2**	**4.1**	**4.0**
Consumption	-2.7	0.5	2.5	3.2	2.9	2.8
Government	3.3	2.3	0.4	0.4	0.4	0.0
Residential Construction	-14.2	7.6	14.3	10.4	8.8	5.1
Non-Residential Construction	-12.6	-13.1	-4.2	6.7	4.2	3.6
Machinery and Equipment	4.4	5.6	7.5	8.0	6.2	5.4
Exports	-3.6	5.4	5.7	5.2	5.0	5.0
Imports	0.4	4.6	5.2	4.7	3.6	3.0
Nominal Gross Domestic Product	**-0.8**	**2.0**	**5.5**	**5.8**	**5.7**	**5.6**
Other Economic Indicators						
Retail Sales*	-7.5	1.4	4.8	5.1	4.9	4.6
Housing Starts - Units (000's)	52.8	58.0	71.0	80.0	85.0	86.0
Personal Income	2.5	1.8	3.9	5.2	5.1	5.3
Pre-tax Corporate Profits	-28.6	7.4	38.8	27.7	11.0	6.0
Consumer Price Index						
Canada	5.6	1.6	2.2	2.1	2.0	1.9
Ontario	4.6	1.4	2.0	2.0	2.0	1.9
Labour Market						
Labour Force	0.2	0.2	1.8	1.9	1.9	2.1
Employment	-3.4	-1.1	2.1	2.9	2.9	3.0
Unemployment Rate (%)	9.6	10.8	10.6	9.8	8.8	7.9

* GST excluded.
Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Data Appendix

Table 2	Ontario, Gross Domestic Product, 1981 - 1991					
	(billions of dollars)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product ($1986)	**167.2**	**160.7**	**167.7**	**182.8**	**190.9**	**202.7**
Consumption	95.6	93.3	96.9	102.2	108.4	114.7
Government	34.5	36.0	36.1	37.2	38.9	38.9
Residential Construction	8.9	7.6	9.5	10.3	11.5	13.2
Non-Residential Construction	6.6	6.2	5.6	6.5	7.3	8.3
Machinery and Equipment	10.6	9.1	9.7	10.3	12.2	15.3
Exports	77.6	74.8	79.5	95.4	101.2	106.5
Imports	67.1	61.4	68.9	82.5	90.8	95.8
Nominal Gross Domestic Product	**131.8**	**137.3**	**151.9**	**171.5**	**183.6**	**202.7**

Table 2 (continued)

	(billions of dollars)				
	1987	1988	1989	1990	1991
Real Gross Domestic Product ($1986)	**211.8**	**226.7**	**231.4**	**224.3**	**217.7**
Consumption	120.6	126.6	130.4	130.0	126.5
Government	40.8	43.4	45.5	47.6	49.2
Residential Construction	15.1	15.9	17.2	14.0	12.0
Non-Residential Construction	9.3	10.2	11.0	9.9	8.7
Machinery and Equipment	17.3	20.0	20.8	19.0	19.8
Exports	106.2	114.5	115.5	117.9	113.6
Imports	100.1	106.7	112.3	111.5	112.0
Nominal Gross Domestic Product	**223.9**	**253.0**	**272.4**	**272.5**	**270.4**

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Table 3 Ontario, Growth in Gross Domestic Product, 1981 - 1991

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product	**4.0**	**-3.9**	**4.3**	**9.0**	**4.4**	**6.2**
Consumption	2.2	-2.4	3.9	5.4	6.0	5.8
Government	0.9	4.2	0.3	3.2	4.4	0.0
Residential Construction	9.3	-13.9	25.2	7.4	11.7	15.3
Non-Residential Construction	5.7	-7.0	-8.3	15.9	11.7	13.8
Machinery and Equipment	21.4	-13.9	6.0	6.1	19.2	25.1
Exports	2.9	-3.6	6.3	19.9	6.0	5.3
Imports	4.7	-8.5	12.2	19.8	9.9	5.6
Nominal Gross Domestic Product	**14.6**	**4.2**	**10.7**	**12.9**	**7.0**	**10.4**

Table 3 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Real Gross Domestic Product	**4.5**	**7.0**	**2.1**	**-3.1**	**-2.9**
Consumption	5.2	4.9	3.0	-0.3	-2.7
Government	4.9	6.4	4.9	4.6	3.3
Residential Construction	14.4	4.9	8.7	-18.5	-14.2
Non-Residential Construction	11.8	10.0	7.6	-9.7	-12.6
Machinery and Equipment	13.0	16.0	3.8	-8.7	4.4
Exports	-0.2	7.8	0.8	2.1	-3.6
Imports	4.4	6.6	5.2	-0.6	0.4
Nominal Gross Domestic Product	**10.4**	**13.0**	**7.7**	**0.0**	**-0.8**

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Data Appendix

Table 4 **Canada, Gross Domestic Product, 1981 - 1991**

(billions of dollars)

	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product ($1986)	**440.1**	**426.0**	**439.4**	**467.2**	**489.4**	**505.7**
Consumption	257.1	250.3	258.9	270.9	284.9	297.5
Government	90.9	93.1	94.4	95.6	98.6	100.1
Residential Construction	25.2	21.0	24.6	24.8	27.2	30.8
Non-Residential Construction	31.5	28.7	26.3	25.8	27.1	25.6
Machinery and Equipment	29.4	25.3	24.2	25.6	28.7	32.6
Exports	101.9	99.6	106.0	124.8	132.2	138.1
Imports	105.3	89.3	97.4	114.1	123.9	133.4
Nominal Gross Domestic Product	**356.0**	**374.4**	**405.7**	**444.7**	**478.0**	**505.7**

Table 4 (continued)

(billions of dollars)

	1987	1988	1989	1990	1991
Real Gross Domestic Product ($1986)	**526.7**	**553.0**	**565.8**	**563.1**	**553.5**
Consumption	310.5	324.3	334.8	337.9	332.3
Government	101.9	106.1	110.0	113.2	115.3
Residential Construction	35.8	36.9	38.4	34.9	30.8
Non-Residential Construction	26.4	29.3	30.7	30.9	29.6
Machinery and Equipment	37.5	44.6	47.9	45.2	45.4
Exports	142.9	156.5	158.0	164.5	165.3
Imports	142.7	162.4	172.7	176.0	180.0
Nominal Gross Domestic Product	**551.6**	**605.9**	**649.9**	**667.8**	**674.4**

Source: Statistics Canada

Table 5 **Canada, Growth in Gross Domestic Product, 1981 - 1991**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Real Gross Domestic Product	**3.7**	**-3.2**	**3.2**	**6.3**	**4.8**	**3.3**
Consumption	2.3	-2.6	3.4	4.6	5.2	4.4
Government	2.5	2.4	1.4	1.2	3.2	1.6
Residential Construction	6.6	-16.3	17.0	0.5	9.8	13.3
Non-Residential Construction	8.6	-9.0	-8.5	-1.8	5.2	-5.5
Machinery and Equipment	18.1	-14.0	-4.1	5.5	12.3	13.5
Exports	4.4	-2.2	6.4	17.7	6.0	4.5
Imports	8.5	-15.2	9.0	17.1	8.7	7.6
Nominal Gross Domestic Product	**14.9**	**5.2**	**8.4**	**9.6**	**7.5**	**5.8**

Table 5 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Real Gross Domestic Product	**4.2**	**5.0**	**2.3**	**-0.5**	**-1.7**
Consumption	4.4	4.5	3.2	0.9	-1.7
Government	1.7	4.1	3.7	2.9	1.9
Residential Construction	16.4	2.8	4.2	-9.1	-11.8
Non-Residential Construction	3.0	11.0	4.8	0.5	-4.1
Machinery and Equipment	15.0	19.2	7.4	-5.6	0.5
Exports	3.5	9.5	0.9	4.1	0.5
Imports	7.0	13.8	6.4	1.9	2.2
Nominal Gross Domestic Product	**9.1**	**9.8**	**7.3**	**2.8**	**1.0**

Source: Statistics Canada

Data Appendix

Table 6	Ontario, Selected Economic Indicators, 1981 - 1991					
	1981	1982	1983	1984	1985	1986
Retail Sales* ($ billions)	36.8	38.8	43.1	47.6	53.7	58.6
Housing Starts - Units (000's)	50.2	38.5	54.9	48.2	64.9	81.5
Personal Income ($ billions)	110.0	122.4	131.9	146.2	156.3	169.6
Pre-tax Corporate Profits ($ billions)	14.2	8.9	13.6	17.7	19.1	21.3
Consumer Price Index	74.6	82.6	87.7	92.0	95.8	100.0
Labour Force (000's)	4,463	4,502	4,561	4,655	4,758	4,862
Employment (000's)	4,171	4,063	4,089	4,235	4,377	4,524
Unemployment Rate (%)	6.6	9.7	10.3	9.0	8.0	7.0

Table 6 (continued)

	1987	1988	1989	1990	1991
Retail Sales* ($ billions)	64.7	69.8	72.6	72.6	67.2
Housing Starts - Units (000's)	105.2	99.9	93.3	62.6	52.8
Personal Income ($ billions)	187.0	208.3	228.0	241.9	248.1
Pre-tax Corporate Profits ($ billions)	25.0	30.7	28.2	19.9	14.2
Consumer Price Index	105.1	110.0	116.4	122.0	127.6
Labour Force (000's)	4,992	5,118	5,214	5,268	5,276
Employment (000's)	4,689	4,862	4,949	4,937	4,770
Unemployment Rate (%)	6.1	5.0	5.1	6.3	9.6

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991.
Sources: Statistics Canada, Ontario Ministry of Treasury and Economics and CMHC

Table 7 **Ontario, Growth in Economic Indicators, 1981 - 1991**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Retail Sales*	...	5.4	11.1	10.3	13.0	9.0
Housing Starts	25.0	-23.2	42.7	-12.3	34.7	25.6
Personal Income	16.5	11.3	7.8	10.8	6.9	8.5
Pre-tax Corporate Profits	0.5	-36.9	51.6	30.2	8.3	11.4
Consumer Price Index	12.0	10.7	6.2	4.9	4.1	4.4
Labour Force	2.6	0.9	1.3	2.1	2.2	2.2
Employment	2.9	-2.6	0.6	3.6	3.4	3.4
Unemployment Rate	...	...	...	...	...	...

Table 7 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Retail Sales*	10.5	7.8	4.0	0.0	-7.5
Housing Starts	29.1	-5.0	-6.6	-32.9	-15.7
Personal Income	10.2	11.4	9.5	6.1	2.5
Pre-tax Corporate Profits	17.4	22.9	-8.2	-29.6	-28.6
Consumer Price Index	5.1	4.7	5.8	4.8	4.6
Labour Force	2.7	2.5	1.9	1.0	0.2
Employment	3.6	3.7	1.8	-0.2	-3.4
Unemployment Rate	...	...	...	...	...

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991.
... Figures not appropriate or not applicable
Sources: Statistics Canada, Ontario Ministry of Treasury and Economics and CMHC

Data Appendix

Table 8	Canada, Selected Economic Indicators, 1981 - 1991					
	1981	1982	1983	1984	1985	1986
Retail Sales* ($ billions)	103.4	107.1	116.6	127.4	142.2	153.8
Housing Starts - Units (000's)	178.0	125.9	162.6	134.9	165.8	199.8
Personal Income ($ billions)	293.2	324.8	343.1	372.2	400.2	427.3
Pre-tax Corporate Profits ($ billions)	37.7	26.8	37.1	45.9	49.5	45.4
Consumer Price Index	75.5	83.7	88.5	92.4	96.0	100.0
Labour Force (000's)	11,899	11,926	12,109	12,316	12,532	12,746
Employment (000's)	11,001	10,618	10,675	10,932	11,221	11,531
Unemployment Rate (%)	7.5	11.0	11.8	11.2	10.5	9.5

Table 8 (continued)					
	1987	1988	1989	1990	1991
Retail Sales* ($ billions)	168.9	181.7	189.3	192.6	181.2
Housing Starts - Units (000's)	246.0	222.6	215.4	181.6	156.2
Personal Income ($ billions)	461.2	506.0	549.2	589.6	607.4
Pre-tax Corporate Profits ($ billions)	56.6	64.7	60.4	45.5	31.8
Consumer Price Index	104.4	108.6	114.0	119.5	126.2
Labour Force (000's)	13,011	13,275	13,503	13,681	13,757
Employment (000's)	11,861	12,245	12,486	12,572	12,340
Unemployment Rate (%)	8.8	7.8	7.5	8.1	10.3

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991.
Sources: Statistics Canada, Ontario Ministry of Treasury and Economics and CMHC

Table 9 **Canada, Growth in Economic Indicators, 1981 - 1991**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Retail Sales*	...	3.5	8.9	9.3	11.6	8.1
Housing Starts	12.2	-29.3	29.2	-17.1	22.9	20.5
Personal Income	17.8	10.8	5.6	8.5	7.5	6.8
Pre-tax Corporate Profits	-5.4	-28.7	38.1	23.7	7.9	-8.4
Consumer Price Index	12.4	10.9	5.7	4.4	3.9	4.2
Labour Force	2.8	0.2	1.5	1.7	1.8	1.7
Employment	2.7	-3.5	0.5	2.4	2.6	2.8
Unemployment Rate	...	...	...	...	...	...

Table 9 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Retail Sales*	9.8	7.6	4.2	1.7	-5.9
Housing Starts	23.1	-9.5	-3.2	-15.7	-14.0
Personal Income	7.9	9.7	8.5	7.3	3.0
Pre-tax Corporate Profits	24.7	14.3	-6.6	-24.6	-30.2
Consumer Price Index	4.4	4.0	5.0	4.8	5.6
Labour Force	2.1	2.0	1.7	1.3	0.6
Employment	2.9	3.2	2.0	0.7	-1.8
Unemployment Rate	...	...	...	...	...

* Retail sales include Federal Sales Taxes up to 1990 but exclude GST from 1991.
... Figures not appropriate or not applicable
Sources: Statistics Canada, Ontario Ministry of Treasury and Economics and CMHC

Data Appendix

Table 10 **Ontario and the G-7, Growth in Real GDP, 1981 - 1991**

(per cent change)

	1981	1982	1983	1984	1985	1986
Ontario	**4.0**	**-3.9**	**4.3**	**9.0**	**4.4**	**6.2**
Canada	3.7	-3.2	3.2	6.3	4.8	3.3
France	1.2	2.5	0.7	1.3	1.9	2.5
Germany	0.2	-0.9	1.6	2.8	1.9	2.2
Italy	0.6	0.2	1.0	2.7	2.6	2.9
Japan	3.6	3.2	2.7	4.3	5.0	2.6
United Kingdom	-1.3	1.7	3.7	2.2	3.6	3.9
United States	1.8	-2.2	3.9	6.2	3.2	2.9

Table 10 (continued)

(per cent change)

	1987	1988	1989	1990	1991
Ontario	**4.5**	**7.0**	**2.1**	**-3.1**	**-2.9**
Canada	4.2	5.0	2.3	-0.5	-1.7
France	2.3	4.2	3.9	2.8	1.3
Germany	1.4	3.7	3.2	4.7	3.1
Italy	3.1	4.1	3.0	2.0	1.4
Japan	4.1	6.2	4.7	5.2	4.5
United Kingdom	4.8	4.2	2.3	0.8	-2.2
United States	3.1	3.9	2.5	0.8	-1.2

Sources: Statistics Canada, Ontario Ministry of Treasury and Economics, OECD, and U.S. Dept. of Commerce

Table 11 **Ontario and the G-7, Employment Growth, 1981 - 1991**

	(per cent change)					
	1981	1982	1983	1984	1985	1986
Ontario	**2.9**	**-2.6**	**0.6**	**3.6**	**3.4**	**3.4**
Canada	2.7	-3.5	0.5	2.4	2.6	2.8
France	-0.3	0.0	-0.3	-1.0	-0.3	0.2
Germany	0.3	-0.6	-1.2	-0.2	0.8	1.4
Italy	0.2	-0.3	0.2	0.4	0.4	0.5
Japan	0.8	1.0	1.7	0.6	0.7	0.8
United Kingdom	-3.4	-1.9	-0.2	2.2	1.1	0.3
United States	1.1	-0.9	1.3	4.1	2.0	2.3

Table 11 (continued)

	(per cent change)				
	1987	1988	1989	1990	1991
Ontario	**3.6**	**3.7**	**1.8**	**-0.2**	**-3.4**
Canada	2.9	3.2	2.0	0.7	-1.8
France	0.2	0.8	1.0	1.0	0.4
Germany	0.7	0.8	1.3	2.6	1.5
Italy	-0.2	1.1	0.1	1.9	0.9
Japan	1.0	1.7	1.9	2.0	1.9
United Kingdom	2.3	3.4	2.6	0.3	-2.8
United States	2.6	2.3	2.0	0.5	-0.9

Sources: Statistics Canada and OECD

Data Appendix

Table 12 **Ontario and the G-7, Unemployment Rates, 1981 - 1991**

(per cent)

	1981	1982	1983	1984	1985	1986
Ontario	**6.6**	**9.7**	**10.3**	**9.0**	**8.0**	**7.0**
Canada	7.5	11.0	11.8	11.2	10.5	9.5
France	7.5	8.2	8.4	9.8	10.2	10.4
Germany	3.4	5.0	6.6	7.1	7.1	6.4
Italy	8.5	9.2	10.0	10.1	10.2	11.2
Japan	2.2	2.3	2.7	2.7	2.6	2.8
United Kingdom	9.1	10.4	11.2	11.4	11.6	11.8
United States	7.6	9.7	9.6	7.5	7.2	7.0

Table 12 (continued)

(per cent)

	1987	1988	1989	1990	1991
Ontario	**6.1**	**5.0**	**5.1**	**6.3**	**9.6**
Canada	8.8	7.8	7.5	8.1	10.3
France	10.5	10.0	9.4	8.9	9.4
Germany	6.2	6.2	5.6	4.9	4.3
Italy	12.1	12.2	12.1	11.1	11.0
Japan	2.9	2.5	2.3	2.1	2.1
United Kingdom	10.4	8.2	6.2	5.9	8.3
United States	6.2	5.5	5.3	5.5	6.7

Sources: Statistics Canada and OECD

Table 13 **Ontario and the G-7, Inflation Rates, 1981 - 1991**

(per cent)

	1981	1982	1983	1984	1985	1986
Ontario	**12.0**	**10.7**	**6.2**	**4.9**	**4.1**	**4.4**
Canada	12.4	10.9	5.7	4.4	3.9	4.2
France	13.4	11.8	9.6	7.4	5.8	2.7
Germany	6.4	5.2	3.2	2.4	2.2	-0.1
Italy	17.9	16.5	14.7	10.8	9.2	5.8
Japan	4.9	2.6	1.8	2.3	2.0	0.4
United Kingdom	11.9	8.6	4.5	5.0	6.0	3.4
United States	10.3	6.2	3.2	4.3	3.5	1.9

Table 13 (continued)

(per cent)

	1987	1988	1989	1990	1991
Ontario	**5.1**	**4.7**	**5.8**	**4.8**	**4.6**
Canada	4.4	4.0	5.0	4.8	5.6
France	3.1	2.6	3.7	3.4	3.2
Germany	0.2	1.3	2.8	2.7	3.5
Italy	4.8	5.0	6.3	6.5	6.3
Japan	-0.2	0.5	2.3	3.1	3.3
United Kingdom	4.2	4.9	7.8	9.5	5.8
United States	3.6	4.1	4.8	5.5	4.2

Sources: Statistics Canada and OECD

Data Appendix

Table 14 Ontario and Canada, International Merchandise Trade, 1981 - 1991

	(millions of dollars)					
	1981	1982	1983	1984	1985	1986
Ontario						
Exports	34,042	36,842	41,706	55,202	59,382	62,593
% Change	15.4	8.2	13.2	32.4	7.6	5.4
Imports	42,960	39,071	45,584	59,576	65,895	72,154
% Change	13.8	-9.1	16.7	30.7	10.6	9.5
Trade Balance	-8,918	-2,229	-3,878	-4,374	-6,513	-9,561
Canada						
Exports	83,698	84,403	90,964	112,495	119,241	120,495
% Change	10.2	0.8	7.8	23.7	6.0	1.1
Imports	78,876	67,630	75,586	95,842	104,914	112,678
% Change	14.3	-14.3	11.8	26.8	9.5	7.4
Trade Balance	4,822	16,773	15,378	16,653	14,327	7,817

Table 14 (continued)

	(millions of dollars)				
	1987	1988	1989	1990	1991
Ontario					
Exports	61,044	67,376	67,425	74,414	70,745
% Change	-2.5	10.4	0.1	10.4	-4.9
Imports	73,724	82,916	82,032	79,103	79,183
% Change	2.2	12.5	-1.1	-3.6	0.1
Trade Balance	-12,680	-15,540	-14,607	-4,689	-8,438
Canada					
Exports	125,087	137,695	137,284	148,170	145,281
% Change	3.8	10.1	-0.3	7.9	-2.0
Imports	116,239	131,664	134,904	135,922	135,283
% Change	3.2	13.3	2.5	0.8	-0.5
Trade Balance	8,848	6,031	2,380	12,248	9,998

Sources: Statistics Canada and Ontario Ministry of Industry, Trade and Technology

Table 15 Ontario Exports, Top 30 Commodities, 1991

	Value ($millions)	Per cent of total
Motor Car/Vehicles for Transport of People	15,822	22.4
Motor Vehicles for Transport of Goods	6,940	9.8
Motor Vehicle Parts and Accessories	5,793	8.2
Gold (Unwrought/Semi-Manufactured/Powder)	1,815	2.6
Parts and Accessories for Office Machinery and Computers	1,777	2.5
Newsprint in Rolls or Sheets	1,392	2.0
Aircraft and Spacecraft Parts	1,097	1.6
Internal Combustion Piston Engines	1,015	1.4
Automatic Data Processing Machines	905	1.3
Electrical Apparatus for Line Telephony/Telegraphy	722	1.0
Products of Nickel Metallurgy	674	1.0
Seats (Other than Medical or Barbers')	651	0.9
Powered Aircraft, Spacecraft and Launch Vehicles	625	0.9
Flat-Rolled Iron/Non-Alloy Steel of Width 600mm+	623	0.9
Petroleum Oils (Bituminous)	619	0.9
Wood Sawn/Chipped Lengthwise, Exceeding 6mm	602	0.9
Chemical Wood Pulp, Soda or Sulphate	571	0.8
Nickel (Unwrought)	508	0.7
Engine Parts	502	0.7
Refined Copper and Copper Alloys (Unwrought)	413	0.6
Turbo-Jets, Turbo-Propellers and Other Gas Turbines	391	0.6
Uncoated Paper and Paperboard	379	0.5
Public-Transport Type Passenger Motor Vehicles	357	0.5
New Pneumatic Tires, Rubber	348	0.5
Rail Locomotives (Diesel-Electric); Locomotive Tenders	344	0.5
Furniture and Furniture Parts	343	0.5
Cyclic Hydrocarbons	336	0.5
Undenatured Ethyl Alcohol by Volume Less Than 80% Alcohol; Spirits, Liqueurs, Other Spirituous Beverages	312	0.4
Radioactive Chemical Elements and Isotopes	297	0.4
Moulding Boxes for Metal Foundry	296	0.4
Top 30 Commodities	46,470	65.7
Total Exports	70,745	100.0

Sources: Statistics Canada and Ontario Ministry of Industry, Trade and Technology
Note: Commodities are 4-digit H.S. Codes.

Data Appendix

Table 16 Ontario, International Trade by Major Region, 1991

	Exports ($millions)	Per cent of total	Imports ($millions)	Per cent of total
United States	62,230	88.0	59,517	75.2
Western Europe	4,424	6.3	6,389	8.1
EEC	3,350	4.7	5,501	6.9
Other W. Europe	1,074	1.5	887	1.1
Eastern Europe	127	0.2	207	0.3
Asia	2,672	3.8	8,951	11.3
Pacific Rim	2,556	3.6	8,783	11.1
Other Asia	117	0.2	168	0.2
Latin America and Caribbean	874	1.2	3,017	3.8
Mexico	251	0.4	2,104	2.7
Middle East	250	0.4	134	0.2
Africa	168	0.2	158	0.2
Statistical Discrepancy	0	0.0	811	1.0
Total	70,745	100.0	79,183	100.0

Sources: Statistics Canada and Ontario Ministry of Industry, Trade and Technology
Note: Figures may not add to totals due to rounding.

Table 17 **Canada, Trade by Major Region, 1991**

	Exports ($millions)	Per cent of total	Imports ($millions)	Per cent of total
United States	109,473	75.4	86,235	63.7
Western Europe	13,484	9.3	18,212	13.5
EEC	11,742	8.1	14,717	10.9
Other W. Europe	1,742	1.2	3,495	2.6
Eastern Europe	1,645	1.1	505	0.4
Asia	15,696	10.8	20,759	15.3
Pacific Rim	15,178	10.4	20,261	15.0
Other Asia	518	0.4	498	0.4
Latin America and Caribbean	2,629	1.8	5,204	3.8
Mexico	543	0.4	2,579	1.9
Middle East	1,497	1.0	907	0.7
Africa	859	0.6	1,074	0.8
Statistical Discrepancy	0	0.0	2,387	1.8
Total	145,281	100.0	135,283	100.0

Sources: Statistics Canada and Ontario Ministry of Industry, Trade and Technology
Note: Figures may not add to totals due to rounding.

Data Appendix

Table 18 Canada, Selected Financial Indicators, 1981 - 1991

	(per cent)					
	1981	1982	1983	1984	1985	1986
Interest Rates						
Bank Rate	17.9	14.0	9.6	11.3	9.7	9.2
Prime Rate	19.3	15.8	11.2	12.1	10.6	10.5
10-Year Government Bonds	15.2	14.3	11.8	12.8	11.0	9.5
Three-month T-Bills	17.8	13.8	9.3	11.1	9.5	9.0
Mortgage Rates						
5 Year Rate	18.4	18.0	13.2	13.6	12.1	11.2
1 Year Rate	18.1	16.9	11.0	12.0	10.3	10.2
Household Debt Burden*						
Consumer	19.6	17.7	16.8	16.3	16.9	18.1
Mortgage	37.7	34.5	34.4	34.4	34.5	37.2
Total	57.3	52.2	51.2	50.7	51.4	55.3

Table 18 (continued)

	(per cent)				
	1987	1988	1989	1990	1991
Interest Rates					
Bank Rate	8.4	9.7	12.3	13.1	9.0
Prime Rate	9.5	10 8	13.3	14.1	9.9
10-Year Government Bonds	10.0	10.2	9.9	10.9	9.8
Three-month T-Bills	8.2	9.4	12.0	12.8	8.8
Mortgage Rates					
5 Year Rate	11.2	11.7	12.1	13.4	11.1
1 Year Rate	9.9	10.8	12.9	13.4	10.1
Household Debt Burden*					
Consumer	19.0	20.1	20.5	21.3	21.3
Mortgage	41.0	44.1	46.9	50.9	54.0
Total	60.0	64.2	67.4	72.2	75.3

* Debt as a share of disposable income.
Sources: Statistics Canada and Bank of Canada
Note: all data are annual averages.

Table 19 **G-7, Exchange Rates, 1981 - 1991**

(Foreign currency per Canadian dollar)

	1981	1982	1983	1984	1985	1986
France	4.5188	5.3066	6.1656	6.7328	6.5373	4.9806
Germany	1.8824	1.9667	2.0690	2.1923	2.1420	1.5587
Italy	944.40	1094.76	1229.45	1353.18	1394.96	1070.55
Japan	183.75	201.67	192.75	183.27	173.94	120.86
United Kingdom	0.4120	0.4639	0.5357	0.5784	0.5659	0.4910
United States	0.8340	0.8110	0.8117	0.7722	0.7321	0.7199

Table 19 (continued)

(Foreign currency per Canadian dollar)

	1987	1988	1989	1990	1991
France	4.5309	4.8310	5.3885	4.6572	4.9206
Germany	1.3552	1.4249	1.5878	1.3822	1.4468
Italy	978.08	1055.80	1158.44	1025.40	1082.24
Japan	109.01	104.10	116.39	123.80	117.35
United Kingdom	0.4608	0.4565	0.5160	0.4799	0.4948
United States	0.7541	0.8123	0.8446	0.8569	0.8726

Sources: OECD
Note: all data are annual averages.

Data Appendix

Table 20	Ontario, New Construction by Region, 1984 - 1991			
	1984	1985	1986	1987
Total Construction ($millions)	**6,274**	**8,393**	**11,359**	**14,834**
% change	17.3	33.8	35.4	30.6
Regional Shares (%)				
Eastern	19.1	15.5	11.4	12.2
Central	68.2	72.4	76.6	75.0
Southwestern	8.1	8.3	8.4	8.8
Northeastern	3.1	2.5	2.4	2.8
Northwestern	1.6	1.3	1.2	1.3
Residential ($millions)	**3,361**	**4,886**	**6,649**	**9,378**
% change	3.4	45.4	36.1	41.0
Regional shares (%)				
Eastern	20.3	16.9	12.2	12.2
Central	67.9	70.8	75.6	75.6
Southwestern	7.0	8.4	8.6	8.5
Northeastern	3.0	2.6	2.4	2.6
Northwestern	1.7	1.3	1.2	1.1
Non-Residential ($millions)	**2,914**	**3,506**	**4,711**	**5,456**
% change	38.8	20.3	34.3	15.8
Regional shares (%)				
Eastern	17.6	13.4	10.1	12.1
Central	68.4	74.7	78.0	73.9
Southwestern	9.4	8.1	8.2	9.3
Northeastern	3.1	2.4	2.6	3.1
Northwestern	1.4	1.4	1.1	1.6

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Table 20 (continued)

	1988	1989	1990	1991
Total Construction ($millions)	**17,281**	**20,031**	**14,062**	**11,964**
% change	16.5	15.9	-29.8	-14.9
Regional shares (%)				
Eastern	11.7	12.4	12.9	13.5
Central	74.5	74.2	70.8	68.0
Southwestern	9.9	8.6	10.7	11.7
Northeastern	2.9	3.5	4.3	5.3
Northwestern	1.0	1.3	1.3	1.6
Residential ($millions)	**10,565**	**11,195**	**7,445**	**6,990**
% change	12.7	6.0	-33.5	-6.1
Regional shares (%)				
Eastern	11.7	10.8	14.5	12.7
Central	74.9	75.1	68.1	70.8
Southwestern	9.6	10.1	11.4	10.1
Northeastern	2.8	3.1	4.5	5.0
Northwestern	1.1	0.9	1.4	1.3
Non-Residential ($millions)	**6,716**	**8,836**	**6,617**	**4,974**
% change	23.1	31.6	-25.1	-24.8
Regional shares (%)				
Eastern	11.8	14.5	11.0	14.6
Central	73.9	73.0	73.9	63.9
Southwestern	10.5	6.8	9.8	13.9
Northeastern	3.0	4.0	4.1	5.7
Northwestern	0.9	1.7	1.2	1.9

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Data Appendix

Table 21 Ontario, Selected Demographic Characteristics, 1971 - 2011

	Actual			Projections	
	1971	1981	1991	2001	2011
Total Population (000's)	7,703	8,625	10,085	11,452	12,657
Average Annual Growth					
Over Preceding Decade (%)	2.1	1.1	1.6	1.3	1.0
Median Age (Years)	27.2	30.6	33.6	37.0	40.0
Age Group Shares (%)					
0-14	28.7	21.9	20.4	19.4	16.9
15-24	18.0	18.5	14.1	12.8	13.0
25-44	25.8	29.3	33.9	31.3	27.3
45-64	19.1	20.2	19.9	23.4	27.8
65-74	5.2	6.2	7.1	7.2	8.0
75+	3.2	3.9	4.6	5.9	7.0
Total Fertility Rate	2.2	1.6	1.8*	1.7	1.7
Life Expectancy (Years)					
Male	69.6	72.3	74.3*	76.3	78.1
Female	76.8	79.0	79.8*	82.2	84.3
Families (000's)	1,877	2,279	2,727	3,183	3,530
Households (000's)	2,225	2,970	3,638	4,290	4,862

* Preliminary

Sources: Statistics Canada and population projections of Ontario Ministry of Treasury and Economics

Notes: 1. 1991 Census data are not directly comparable with earlier censuses or projected data due to a change in definition of the population universe. Persons in Canada on student authorizations, employment authorizations, Minister's permits, and as refugee claimants were enumerated in the 1991 Census but not in previous censuses. These persons are referred to as non-permanent residents.

2. The 1991 Census excludes data for incompletely enumerated Indian reserves and settlements.

Table 22 Ontario, Components of Population Growth, 1981/82 - 1991/92

	(thousands)					
	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
Population at Beginning of Period	**8,624.7**	**8,702.5**	**8,798.0**	**8,901.7**	**9,006.4**	**9,113.0**
Births	123.0	126.5	127.9	131.9	133.3	134.3
Deaths	62.9	64.5	64.3	66.3	67.2	67.2
Immigrants	57.9	46.8	39.3	40.6	42.6	66.5
Emigrants	21.2	23.4	22.3	21.9	22.4	24.8
Interprovincial Arrivals	83.6	86.8	89.0	86.7	89.4	101.5
Interprovincial Departures	89.3	63.3	52.6	52.8	55.8	58.3
Population Growth During Period	77.8	95.5	103.7	104.7	106.6	152.0
Population at End of Period	**8,702.5**	**8,798.0**	**8,901.7**	**9,006.4**	**9,113.0**	**9,265.0**
Population Growth (%)	0.9	1.1	1.2	1.2	1.2	1.7

Table 22 (continued)

	(thousands)				
	1987/88	1988/89	1989/90	1990/91*	1991/92
Population at Beginning of Period	**9,265.0**	**9,431.1**	**9,589.6**	**9,749.6**	**10,084.9**
Births	135.3	140.4	149.5	149.7	153.8
Deaths	70.2	69.7	71.1	71.0	72.9
Immigrants	85.4	96.3	106.9	114.9	124.0
Emigrants	19.7	18.2	19.3	19.1	18.4
Interprovincial Arrivals	102.8	89.2	86.4	91.7	84.5
Interprovincial Departures	67.5	79.5	92.4	101.6	87.2
Population Growth During Period	166.1	158.5	160.0	335.3	13.1
Population at End of Period	**9,431.1**	**9,589.6**	**9,749.6**	**10,084.9**	**10,098.0**
Population Growth (%)	1.8	1.7	1.7	3.4	0.1

* The 1991 Census population is not directly comparable to earlier or later years due to a change in definition of the population universe. Persons in Canada on student authorizations, employment authorizations, Minister's permits, and as refugee claimants were enumerated in the 1991 Census but not in previous censuses. These persons are referred to as non-permanent residents.

Source: Statistics Canada

Notes:
1. Data are for census years from June 1 to May 31.
2. The 1991 Census population excludes data for incompletely enumerated Indian reserves and settlements.
3. Due to adjustments to the total population, the sum of the components may not equal the annual growth in total population.

Data Appendix

Table 23	Ontario, Labour Force, 1981 - 1992					
	1981	1982	1983	1984	1985	1986
Labour Force (000's)	4,463	4,502	4,561	4,655	4,758	4,862
Annual Labour Force Growth (%)	2.6	0.9	1.3	2.1	2.2	2.2
Participation Rate (%)						
Male	80.4	79.3	78.6	78.5	78.7	78.9
Female	55.5	55.9	56.5	57.4	58.1	58.6
Share of Labour Force (%)						
Youth (15-24)	24.9	24.0	23.5	23.1	22.5	22.0
Older Worker (45+)	28.4	28.3	27.8	27.4	27.6	26.8

Table 23 (continued)						
	1987	1988	1989	1990	1991	1992*
Labour Force (000's)	4,992	5,118	5,214	5,268	5,276	5,293
Annual Labour Force Growth (%)	2.7	2.5	1.9	1.0	0.2	-0.1
Participation Rate (%)						
Male	78.9	78.7	78.8	77.8	76.3	75.5
Female	59.7	61.0	61.2	61.4	60.8	60.1
Share of Labour Force (%)						
Youth (15-24)	21.6	20.6	20.0	19.1	18.2	18.1
Older Worker (45+)	26.9	27.0	26.9	27.2	27.3	27.9

* Preliminary
Sources: Statistics Canada and Ontario Ministry of Treasury and Economics
Note: 1992 data are for the first eight months.

Table 24 **Ontario, Employment, 1981 - 1992**

	1981	1982	1983	1984	1985	1986
Total Employment (000's)	4,171	4,063	4,089	4,235	4,377	4,524
Male	2,427	2,329	2,322	2,396	2,465	2,541
Female	1,744	1,735	1,767	1,839	1,912	1,983
Annual Employment Growth (%)	2.9	-2.6	0.6	3.6	3.4	3.4
Net Job Creation (000's)	118	-108	26	146	142	147
Manufacturing Employment (% of total)	24.8	23.4	22.8	23.2	22.8	22.4
Services Employment (% of total)	65.1	67.2	67.8	67.6	67.9	68.3
Part-Time (% of total)	14.5	15.3	16.0	15.7	15.7	15.5
Average Hours Worked Per Week	37.2	37.0	37.4	37.6	37.3	37.7

Table 24 (continued)

	1987	1988	1989	1990	1991	1992*
Total Employment (000's)	4,689	4,862	4,949	4,937	4,770	4,712
Male	2,621	2,688	2,730	2,693	2,576	2,526
Female	2,067	2,174	2,219	2,244	2,193	2,186
Annual Employment Growth (%)	3.6	3.7	1.8	-0.2	-3.4	-1.3
Net Job Creation (000's)	165	173	87	-12	-167	-62
Manufacturing Employment (% of total)	22.0	21.1	20.8	19.6	18.7	17.7
Services Employment (% of total)	68.4	69.4	69.1	70.6	72.2	73.8
Part-Time (% of total)	15.2	15.6	15.5	15.8	16.9	17.2
Average Hours Worked Per Week	37.7	38.2	38.6	38.1	37.3	36.9

* Preliminary
Sources: Statistics Canada and Ontario Ministry of Treasury and Economics
Note: 1992 data are for the first eight months.

Data Appendix

Table 25	Ontario, Unemployment, 1981 - 1992					
	1981	1982	1983	1984	1985	1986
Total Unemployment (000's)	292	439	472	420	381	338
Unemployment Rate (%)	6.6	9.7	10.3	9.0	8.0	7.0
Male	6.0	9.7	10.4	8.7	7.6	6.6
Female	7.4	9.8	10.3	9.5	8.5	7.4
Toronto CMA	4.9	8.1	9.0	7.8	6.7	5.5
Northern Ontario	7.9	13.6	13.5	13.4	10.5	11.0
Youth (15-24)	12.3	17.2	17.8	14.9	13.1	11.5
Older Worker (45+)	3.7	6.2	6.6	6.1	5.5	4.6
Unemployment (% of total)						
Long-Term (27 weeks+)	14.0	16.4	25.8	22.4	19.7	18.0
Youth (15-24) Share	46.9	42.4	40.5	38.1	36.7	36.7
Older Worker (45+) Share	16.1	18.0	17.8	18.6	18.9	17.8
Average Duration (weeks)						
Youth (15-24)	12.0	13.5	17.1	14.2	12.5	12.3
Older Worker (45+)	18.6	18.5	25.4	25.4	23.7	23.5

Table 25 (continued)

	1987	1988	1989	1990	1991	1992*
Total Unemployment (000's)	304	256	264	331	506	581
Unemployment Rate (%)	6.1	5.0	5.1	6.3	9.6	11.0
Male	5.4	4.5	4.7	6.3	10.1	12.2
Female	6.9	5.6	5.5	6.3	9.0	9.5
Toronto CMA	4.5	3.7	4.0	5.3	9.8	11.3
Northern Ontario	9.7	7.8	7.4	8.2	11.2	12.6
Youth (15-24)	9.8	8.2	8.0	10.5	15.4	18.8
Older Worker (45+)	4.5	3.5	3.3	4.1	6.9	7.4
Unemployment (% of total)						
Long-Term (27 weeks+)	16.4	12.9	13.3	13.9	22.7	28.9
Youth (15-24) Share	34.5	34.0	31.8	32.0	29.2	30.9
Older Worker (45+) Share	19.7	18.8	17.8	17.5	19.6	18.8
Average Duration (weeks)						
Youth (15-24)	10.7	8.7	8.6	10.2	13.6	17.0
Older Worker (45+)	22.1	19.9	19.3	18.9	22.7	28.5

* Preliminary

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Notes:
1. For 1992, data are for the first eight months.
2. The unemployment rate for Toronto CMA and Northern Ontario was calculated using different regional definitions beginning in 1984.

Table 26 Ontario, Unemployment Insurance and Social Assistance, 1981 - 1992

	1981	1982	1983	1984	1985	1986
UI Regular Beneficiaries (000's)	141	259	285	241	224	194
Maximum Weekly Insurable Earnings ($)	315	350	385	425	460	495
Maximum Weekly Entitlement ($)	189	210	231	255	276	297
Premium Rate						
Employer ($/$100 Insurable Earnings)	2.52	2.31	3.22	3.22	3.29	3.29
Employee ($/$100 Insurable Earnings)	1.80	1.65	2.30	2.30	2.35	2.35
Benefits Paid to Ontario ($ millions)	1,258	2,381	2,859	2,517	2,551	2,483
Premiums Paid from Ontario ($ millions)	1,862	1,816	2,799	3,158	3,574	3,946
Social Assistance Caseload (000's)	197	218	247	257	261	268

Table 26 (continued)

	1987	1988	1989	1990	1991	1992*
UI Regular Beneficiaries (000's)	166	169	163	222	319	340
Maximum Weekly Insurable Earnings ($)	530	565	605	640	680	710
Maximum Weekly Entitlement ($)	318	339	363	384	408	426
Premium Rate						
Employer ($/$100 Insurable Earnings)	3.29	3.29	2.73	3.15	3.92	4.20
Employee ($/$100 Insurable Earnings)	2.35	2.35	1.95	2.25	2.80	3.00
Benefits Paid to Ontario ($ millions)	2,387	2,370	2,470	3,419	5,362	3,120
Premiums Paid from Ontario ($ millions)	4,379	4,804	4,346	5,281	5,890*	..
Social Assistance Caseload (000's)	279	289	306	365	497	602

* Preliminary
.. Not available
Sources: Statistics Canada and Ontario Ministry of Community and Social Services
Note: Unemployment Benefits Paid to Ontario is cumulative. For 1992, U.I. Regular Beneficiaries and Benefits Paid to Ontario refer to the first six months.

Data Appendix

Table 27 Ontario, Major Layoffs, Strikes and Lockouts, 1981 - 1992

	1981	1982	1983	1984	1985	1986
Major Layoffs (no. of establishments)	130	235	120	122	116	92
Workers Affected by Major Layoffs (no.)	19,724	46,047	17,213	14,824	13,902	13,503
Share of Workers Laid Off Due to Closure (%)	35.0	24.2	38.5	53.1	55.5	60.2
Person Days Lost Due to Strikes and Lockouts (000's)	2,259	2,207	760	1,414	1,232	941

Table 27 (continued)

	1987	1988	1989	1990	1991	1992*
Major Layoffs (no. of establishments)	93	97	139	202	221	152
Workers Affected by Major Layoffs (no.)	13,925	13,266	17,526	31,787	25,957	19,819
Share of Workers Laid Off Due to Closure (%)	72.6	69.8	72.4	64.7	61.3	65.7
Person Days Lost Due to Strikes and Lockouts (000's)	1,109	1,362	869	2,958	454	342

* Preliminary

Sources: Ontario Ministry of Labour and Ontario Ministry of Treasury and Economics

Notes:
1. For 1992, data are for the first eight months except Person Days Lost Due to Strikes and Lockouts which is for the first seven months.
2. Major Layoffs are those affecting at least 50 employees.
3. Major Layoffs and Strikes and Lockouts are cumulative data.

Table 28 Ontario, Labour Compensation, 1981 - 1992

	1981	1982	1983	1984	1985	1986
Average Weekly Earnings ($)	327.04	358.97	371.24	388.70	406.06	423.47
Increase (%)	11.7	9.8	3.4	4.7	4.5	4.3
CPI Inflation (%)	12.0	10.7	6.2	4.9	4.1	4.4
AWE Increase Less CPI Inflation (%)	-0.3	-0.9	-2.8	-0.2	0.4	-0.1
AWE - Manufacturing ($)	358.38	396.20	438.55	459.39	483.43	498.29
Increase (%)	12.1	10.6	10.7	4.8	5.2	3.1
Increase Less CPI Inflation (%)	0.1	-0.1	4.5	-0.1	1.1	-1.3
Collective Bargaining Settlements (% Increase)						
500+	12.3	10.4	6.2	4.5	5.1	4.4
Public	12.7	11.9	6.2	5.4	5.2	5.0
Private	11.2	8.9	6.0	4.0	4.7	3.7
Minimum Wage at Year End ($/hour)	3.50	3.50	3.50	4.00	4.00	4.35

Table 28 (continued)

	1987	1988	1989	1990	1991	1992*
Average Weekly Earnings ($)	440.95	462.65	490.17	514.22	542.90	559.65
Increase (%)	4.1	4.9	5.9	4.9	5.6	4.2
CPI Inflation (%)	5.1	4.7	5.8	4.8	4.6	1.1
AWE Increase Less CPI Inflation (%)	-1.0	0.2	0.1	0.1	1.0	3.1
AWE - Manufacturing ($)	513.93	533.38	561.66	596.82	631.14	658.00
Increase (%)	3.1	3.8	5.3	6.3	5.8	5.3
Increase Less CPI Inflation (%)	-2.0	-0.9	-0.5	1.5	1.2	4.2
Collective Bargaining Settlements (% Increase)						
500+	4.9	5.3	6.5	6.5	5.7	2.6
Public	4.9	5.0	6.5	7.0	6.1	2.4
Private	4.8	5.5	6.3	6.2	4.4	2.8
Minimum Wage at Year End ($/hour)	4.55	4.75	5.00	5.40	6.00	6.00

* Preliminary

Sources: Statistics Canada, Ontario Ministry of Labour and Ontario Ministry of Treasury and Economics

Notes:
1. Average Weekly Earnings (AWE) data for 1981 and 1982 are not comparable to subsequent years.
2. AWE excludes overtime.
3. AWE and Collective Bargaining Settlements for 1992 are for the first six months.
4. Minimum Wage will increase to $6.35 on November 1 1992.

Data Appendix

Table 29 Ontario, Employment by Occupation, 1981 - 1991

(thousands)

	1981	1982	1983	1984	1985	1986
Managerial	992	1,026	1,068	1,175	1,264	1,295
Clerical	767	737	718	742	760	757
Sales	420	435	437	405	400	438
Service	554	545	563	552	582	586
Primary	188	166	173	162	156	150
Processing	715	664	634	683	675	707
Construction	222	195	196	209	213	243
Transportation	143	136	133	139	154	152
Materials Handling	170	159	166	167	172	196
Total	**4,171**	**4,063**	**4,089**	**4,235**	**4,377**	**4,524**

Table 29 (continued)

(thousands)

	1987	1988	1989	1990	1991
Managerial	1,374	1,470	1,478	1,521	1,570
Clerical	796	848	852	853	803
Sales	438	462	461	483	454
Service	591	601	604	607	591
Primary	150	153	153	144	140
Processing	715	712	747	696	638
Construction	262	265	295	291	241
Transportation	169	164	176	172	164
Materials Handling	193	187	184	168	169
Total	**4,689**	**4,862**	**4,949**	**4,937**	**4,770**

Source: Statistics Canada

Table 30 Ontario, Distribution of Employment by Occupation, 1981 - 1991

	1981	1982	1983	1984	1985	1986
Total Employment (000's)	**4,171**	**4,063**	**4,089**	**4,235**	**4,377**	**4,524**
Occupational Shares (%)						
Managerial	23.8	25.3	26.1	27.7	28.9	28.6
Clerical	18.4	18.1	17.6	17.5	17.4	16.7
Sales	10.1	10.7	10.7	9.6	9.1	9.7
Service	13.3	13.4	13.8	13.0	13.3	13.0
Primary	4.5	4.1	4.2	3.8	3.6	3.3
Processing	17.1	16.3	15.5	16.1	15.4	15.6
Construction	5.3	4.8	4.8	4.9	4.9	5.4
Transportation	3.4	3.3	3.3	3.3	3.5	3.4
Materials Handling	4.1	3.9	4.1	3.9	3.9	4.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 30 (continued)

	1987	1988	1989	1990	1991
Total Employment (000's)	**4,689**	**4,862**	**4,949**	**4,937**	**4,770**
Occupational Shares (%)					
Managerial	29.3	30.2	29.9	30.8	32.9
Clerical	17.0	17.4	17.2	17.3	16.8
Sales	9.3	9.5	9.3	9.8	9.5
Service	12.6	12.4	12.2	12.3	12.4
Primary	3.2	3.1	3.1	2.9	2.9
Processing	15.2	14.6	15.1	14.1	13.4
Construction	5.6	5.5	6.0	5.9	5.1
Transportation	3.6	3.4	3.6	3.5	3.4
Materials Handling	4.1	3.8	3.7	3.4	3.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: Statistics Canada and Ontario Ministry of Treasury and Economics

Data Appendix

Table 31	Ontario, Employees by Sector, 1983 - 1991				
	(thousands)				
	1983	1984	1985	1986	1987
Resources[1]	244	236	228	229	230
Industrial Materials[2]	252	261	266	274	276
Automotive[3]	213	230	235	255	258
Consumer Products and Services[4]	245	251	258	265	273
Recreation and Hospitality[5]	294	294	303	327	365
Knowledge-Based[6]	319	333	352	361	380
Business Services[7]	271	279	301	315	330
Construction and Real Estate[8]	207	233	255	288	300
Retail and Wholesale Distribution[9]	549	568	591	593	613
Physical and Social Infrastructure[10]	1,041	1,067	1,089	1,108	1,148
Other	119	122	128	132	136
Total	3,755	3,873	4,007	4,147	4,308

Table 31 (continued)

	(thousands)			
	1988	1989	1990	1991
Resources	227	235	218	201
Industrial Materials	281	288	264	233
Automotive	254	269	275	234
Consumer Products and Services	271	272	246	222
Recreation and Hospitality	373	389	387	333
Knowledge-Based	380	403	392	354
Business Services	346	349	345	344
Construction and Real Estate	307	326	322	267
Retail and Wholesale Distribution	639	670	692	641
Physical and Social Infrastructure	1,189	1,223	1,260	1,265
Other	138	140	137	134
Total	**4,405**	**4,564**	**4,538**	**4,228**

Sources: Ontario Ministry of Treasury and Economics estimates using data from Statistics Canada

Note:
1. Agriculture, mining, logging, forestry, wood, paper and allied products
2. Metals, metal fabricating, petroleum, plastics, rubber, non-metallic minerals, smelting and refining, primary textiles and chemicals
3. Motor vehicle parts and assembly, auto dealers, gasoline service stations and other auto-related distributors
4. Food, beverage, furniture, appliances, clothing, textiles, other products and services,
5. Recreation, accommodation and restaurants
6. Advanced services (e.g. engineering), R&D-intensive manufacturing (e.g. computers), machinery, universities, trade associations and publishing.
7. Finance, accounting and legal, insurance carriers, employment agencies, security and miscellaneous services
8. Construction and real estate operators
9. Wholesale and retail trade
10. Transportation, communications, utilities, education, health & welfare and public administration

Table 32 Ontario, Distribution of Employees by Sector*, 1983 - 1991

	(per cent)				
	1983	1984	1985	1986	1987
Resources	6.5	6.1	5.7	5.5	5.3
Industrial Materials	6.7	6.7	6.7	6.6	6.4
Automotive	5.7	5.9	5.9	6.2	6.0
Consumer Products and Services	6.5	6.5	6.4	6.4	6.3
Recreation and Hospitality	7.8	7.6	7.6	7.9	8.5
Knowledge-Based	8.5	8.6	8.8	8.7	8.8
Business Services	7.2	7.2	7.5	7.6	7.7
Construction and Real Estate	5.5	6.0	6.4	6.9	7.0
Retail and Wholesale Distribution	14.6	14.7	14.7	14.3	14.2
Physical and Social Infrastructure	27.7	27.5	27.2	26.7	26.6
Other	3.2	3.2	3.2	3.2	3.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Table 32 (continued)

	(per cent)			
	1988	1989	1990	1991
Resources	5.1	5.2	4.8	4.8
Industrial Materials	6.4	6.3	5.8	5.5
Automotive	5.8	5.9	6.1	5.5
Consumer Products and Services	6.1	6.0	5.4	5.3
Recreation and Hospitality	8.5	8.5	8.5	7.9
Knowledge-Based	8.6	8.8	8.6	8.4
Business Services	7.9	7.6	7.6	8.1
Construction and Real Estate	7.0	7.1	7.1	6.3
Retail and Wholesale Distribution	14.5	14.7	15.2	15.2
Physical and Social Infrastructure	27.0	26.8	27.8	29.9
Other	3.1	3.1	3.0	3.2
Total	**100.0**	**100.0**	**100.0**	**100.0**

* see notes to Table 31 for definition of sectors

Sources: Ontario Ministry of Treasury and Economics estimates using data from Statistics Canada